THE EVOLUTION OF "AGRICULTURAL PARITY"

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THE EVOLUTION OF "AGRICULTURAL PARITY"

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PREFACE

Although many agricultural economists apparently assume that the evolution of "agricultural parity" is a twentieth century phenomenon, actually its roots go deep into the past. The derivation and the development of the hypothesis that "agricultural parity" had a long-time evolution antedating the twentieth century constitute the subject of this study. The objective of this thesis is to submit a more complete explanation of the evolution of "agricultural parity" than has hitherto been available. It aims to provide additional information for determining the economic feasibility of direct price-support policies by supplying a record of the application of such efforts under different economic conditions.

This study uses information ranging from the accounts of the ancient world through the first half of the twentieth century. The presentation of the material falls naturally under three major parts. Part I presents the setting. Part II analyzes and discusses the "disparities." Part III is devoted primarily to a brief review of the "disparity" price remedies. The review since 1850 is restricted to the United States. Although direct price remedies are of major significance, they represent but one type of the many "disparity" remedies for attaining the broad goal of "equality for agriculture."

The hypothesis of this study was conceived and developed in large part at the Oklahoma A. & M. College during the years 1947-1952. Prior to this time, initial stimuli were provided in contacts by the author with Professor Peter Nelson of Oklahoma A. & M. College and Professors E. D. Ross and L. B. Schmidt of Iowa State College.

I am deeply grateful to the various individuals who assisted in the progress of this study. I wish to express special gratitude to Professor Peter Nelson, Head of the Department of Agricultural Economics and Chairman of the Advisory Committee, for his most helpful and encouraging assistance. To Professor Raymond D. Thomas, Dean of the Division of Commerce, I gratefully acknowledge the very useful criticism and liberal encouragement given me during the study. I extend sincere thanks to Professor F. E. Jewett, Head of the Department of Business Administration, for his beneficial assistance in expediting the progress of the work. I am also indebted to Professor A. L. Larson for his helpful suggestions for improving the manuscript. Special thanks are due Professor R. T. Klemme, Vice-President of Oklahoma A. & M. College, Professor E. D. Ross of Iowa State College, Professor G. C. Fite of the University of Oklahoma, and E. E. Edwards of the United States Department of Agriculture for their considerate assistance on the study. I also wish to acknowledge indebtedness to Professors F. L. Underwood, John D. Campbell, L. A. Parcher, O. A. Hilton, and Leroy H. Fischer of Oklahoma A. & M. College for their helpful suggestions. I am profoundly grateful to the Library Staff of Oklahoma A. & M. College for making available materials for the study and for securing additional references. In addition, I wish to thank Messrs. Bernard M. Baruch, E. W. Ross, J. W. Coverdale, James R. Howard, Burton F. Peek, Edward A. O'Neal, Henry A. Wallace, and Chester C. Davis for supplying first hand information on various phases of the farm relief struggle. Finally, I am grateful to Carol Ealy for her stenographic aid in preparing the manuscript for presentation, to my wife, Hazel, for her assistance and encouragement, and to our infant son, John, for helpfully stimulating an earlier than usual work day.

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VIEWPOINTS ON THE EVOLUTION OF "AGRICULTURAL PARITY"

Two well-known writers in agricultural economics state that the evolution of "agricultural parity" is a twentieth century development. In opposition to this belief and in accordance with the idea of a long-time evolution of "agricultural parity" are the views of prominent national leaders who actively participated in securing the passage of the Agricultural Marketing Act of 1929 and the Agricultural Adjustment Act of 1933. Neither of these laws uses the term "parity," in its declaration of policy. Instead, the idea of parity is expressed by the term "equality." Upon passage, however, each of these Acts was described as a "parity" law.

A Twentieth Century Phenomenon

John D. Black asserts that the "parity movement" is merely the outward expression of a maladjustment in the relation between agriculture and the rest of society which came at the end of the first world war with the publication of statistical data on farm prices.[1] In agreement with Black's conclusion on the twentieth century evolution of farm parity, Geoffrey S. Shepherd places the roots of the "parity price concept" in the events of the first world war and in the depression immediately thereafter.[2]

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[1] John D. Black, Parity Parity Parity (Cambridge, Massachusetts, 1942), p. 45.

[2] Geoffrey S. Shepherd, Agricultural Price Control (Ames, Iowa, 1945), p. 306.

The Long Struggle for Agricultural Equality

Another agricultural economist, Theodore W. Schultz, whose price policy publications are well known, does not indicate a specific date during which parity evolved but in discussing the several roots which have supported the growth of the parity price approach concludes that a "long struggle" of farm people and their leaders was necessary to attain "equality for agriculture" and to translate the parity "ideal" into legislation.[1]

Senator Arthur Capper of Kansas, for many years one of the Senate leaders in farm relief legislation, concluded that the Agricultural Marketing Act of 1929 would achieve economic equality for agriculture; that is, "parity" by enabling the farmer to "walk alone."[2] President Hoover on signing the Marketing Bill on June 15, 1929, expressed his belief that the measure was the most significant Congress had passed for agriculture or any other industry and commented that "many years of contention" had preceded its passage.[3]

The most specific commentary on the time and events leading to the realization of 1929 "parity" is that given by Sam H. Thompson, President of the American Farm Bureau Federation, who stated: "For the last 150 years the farmers have struggled against inequalities arising from the fact that other groups in our national life existed under an economic system based on Governmental aid

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[1] Theodore W. Schultz, Redirecting Farm Policy (New York, 1943), p. 12.

[2] Arthur Capper, "Senator Capper Sees Parity Through Farm Relief Act--Calls Measure Fundamental for Program Enabling Farmer to 'Walk Alone'--Explains Mechanism Set Up for Merchandising Crops and Controlling Surpluses," Commercial and Financial Chronicle, CXXVIII (June 22, 1929), pp. 4093-4094, as reported in the New York Times, June 18, 1929, p. 2.

[3] Farm Relief Bill (Agricultural Marketing Act) Signed by President Hoover, Commercial and Financial Chronicle, CXXVIII (June 22, 1929), p. 4092.

and protection that resulted to their peculiar advantage."[1]

Although recognizing the long farm struggle against inequalities resulting from governmental aid and protection, Thompson emphasized at the same time that the seven years preceding passage of the Agricultural Marketing Act were characterized by a "concerted effort" by organized farmers to make the nation understand the farmers' plight.[2]

With the passage of the Agricultural Adjustment Act of 1933 inaugurating the base-period standard of equality, it was once again concluded that a "parity" law had been passed. Even though there was a difference of interpretation between those leaders who assisted in securing the passage of the Act of 1929 and the Act of 1933 as to which was the "parity" law, it is evident that there was general agreement that an extended period of time had been required for securing the enactment of each law.

Although President Roosevelt described the agricultural adjustment plan as "a new and untrod path"[3] in a message to the Senate on March 16, 1933, other prominent leaders concluded after the passage of the Agricultural Adjustment Act that its roots extended back over a long period of time. The many "years of struggle and effort" required to attain 1933 "parity" was recognized by Edward A. O'Neal, President of the American Farm Bureau Federation, in a statement following President Roosevelt's signing of the Agricultural Adjustment Act on May 12, 1933.[4]

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[1] "S. H. Thompson of American Farm Bureau Federation Commends Action of President Hoover in Signing Farm Relief Bill," Commercial and Financial Chronicle, CXXVIII (June 22, 1929), p. 4094.

[2] "A Symposium on the New Act," Rural America, VI (September, 1929), pp. 7-10. There was mixed opinion as to whether the new Act realized "equality for agriculture."

[3] U. S. Congress, Senate, Congressional Record, 73 Congress, 1 sess. (March 16, 1933), p. 528.

[4] U. S. Congress, Senate, Congressional Record, 73 Congress, 1 sess. (May 23, 1933), p. 4000.

Discussing the Agricultural Adjustment Act of 1933, Secretary of Agriculture Wallace also confirmed the idea of a long-time movement for "parity" by implicitly recognizing earlier "disparities:"

> The Farm Adjustment Act uses the pre-war years of 1909-1914 as the base period of fair exchange value. That period was chosen because it represents the most satisfactory exchange relationship between major producing groups that this country has achieved within the past hundred years.[1]

In explaining to the consuming public the justification for raising farm prices on assuming responsibility for administering the Agricultural Adjustment Act on May 15, 1933, George N. Peek recognized the roots of farm "parity" in our long-time tariff policy, which excluded the "rural half" from its benefits.[2]

In one of the few but more extended historical considerations of the evolution of agricultural parity, there is further evidence that a long period of time was involved in its development. In his presidential address on "Parity in our Agricultural History," at the annual meeting of the Agricultural History Society in 1947, Ross concluded that the most cursory survey discloses that the agricultural interest has been a direct, coordinate participant in every stage of the Nation's economy and that as a result economic aspiration has gone along with social and political equalitarianism.[3] "The modern capitalistic system" he adds, "brought disparities to the farmer from which (beginning with the frontiersman) he sought and secured bounties and protection in carrying on his business."[4]

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[1] Henry A. Wallace, "The Purposes of the Farm Act Set Out by Wallace," New York Times, Sunday, June 4, 1933, Sec. 8, p. 3.

[2] George N. Peek with Samuel Crowther, Why Quit Our Own (New York, 1936), p. 103. George N. Peek along with Hugh S. Johnson outlined the fair-exchange value standard in 1921 which with modifications was embodied in the 1933 parity Act.

[3] Earle D. Ross, "Agriculture in Our Economic History," the presidential address presented with the title, "Parity in Our Agricultural History," at the annual meeting of the Agricultural History Society in Washington, D.C., on September 3, 1947. Agricultural History, XXII (April, 1948), p. 66.

[4] Ibid., p. 68.

CHAPTER II

MEANING OF "AGRICULTURAL PARITY"

In order to clarify the meaning of "agricultural parity", this chapter reviews usages of the term "parity" and summarizes the definitions of "parity" in the farm parity Acts, 1929-1949.

Usages of the Term "Parity"

The term "parity" is adapted from the Latin "paritas," a similar word "parite" is used in French; and corresponding forms are found in other Romance languages.[1] Prior to its adoption into the terminology of agricultural usage "parity" was expressed by the idea of equality.

Religious parity.-- Among the earliest usages of parity are the assertions concerning some form of equality in religious matters. Its use in English goes back at least to 1572, when it was stated that there ought to be a "parity" among the ministers in the "Church."[2] In 1899, reference was made to "parity - cantons."[3] These cantons of the Swiss confederation contained a Catholic and an Evangelical church. In 1903, a call was made for "parity," meaning equality, among all the ministers of God's Word.[4]

Other early parity usages.-- While the earliest usages applied to religion,

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1 Letter from Foster M. Palmer, Reference Assistant in charge of the Reference Section, Harvard College Library, September 28, 1951.

2 "Parity," A New English Dictionary on Historical Principles, VII, p. 481.

3 Ibid.

4 Ibid.

the early parity concept was not restricted to ideas of religious equality. Equality (parity) of rank or status, social or political, was considered also; then, too, references are found describing an equality of tendency, "parity of reasoning," or numerical parity such as even rather than odd numbers. Finally, commercial parity such as equivalence in another currency and monetary parity--equality between coins of one metal and coins of another in certain definite proportions--were mentioned.[1]

Following its adoption into agricultural terminology "parity" continued to be expressed by the idea of equality. Among the earliest usages--around the close of the nineteenth century--were the designations of a general equality. Beginning in 1933, "parity" became associated increasingly with the idea of "fair-exchange value"--a base period standard of equality.

Early agricultural parity.-- Among the earliest commercial usages of "parity" may be found a reference to an agricultural commodity. On June 22, 1886, the English Wool Report stated, "public sales of wool . . . were held in Berlin . . . 1800 bales . . . are reported to have been sold at full London parity."[2] In 1905, J. A. Everitt, who claimed to be the founder of the American Society of Equity, used the term "parity" to designate a general equality. He stated:

> We might survive the loss of our steel mills, but if our farms were to quit producing the country would go to ruin. Why should not the farmers be supreme? And if they strive for something less than supremacy--namely mere parity with the rest of our people--ought they not to be encouraged?[3]

In 1920, Henry A. Wallace, associate editor of Wallaces' Farmer, discussed how prices might be influenced and also used "parity" to express a general

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1 Ibid.

2 Ibid.

3 J. A. Everitt, The Third Power (Indianapolis, 1905), third edition, pp. 6, 9, 23-24, 71; fourth edition (1907), p. vii.

concept of equality.[1]

Addressing the national agricultural conference in 1922, President Harding defined "parity" for the farmer as equality of opportunity:

> The farmer does not demand special consideration, to the disadvantage of any other class; he asks only for that consideration which shall place his vital industry on a parity of opportunity with others, and enable it to serve the broadest interest.[2]

Addressing the same conference, Thomas E. Wilson, President of the Institute of American Meat Packers, used the term "parity" twice to designate a standard of value equality:

> The parity heretofore existing between the values of farm products and other commodities has been temporarily unbalanced.[3]

> If the American people would only add to their diet one-half a pound of meat or its products once a week, it would go a long way toward restoring the parity between livestock values and other basic commodities.[4]

Reporting on the activities of the national agricultural conference of 1922, the New York Times gave a third interpretative application of "parity" in an article of which the title and subtitle were as follows: "Reject Plan to Fix Prices for Farmers--But Farm Delegates Ask an Inquiry and Urge Steps to Reestablish Price Parity."[5] The article then indicated that the national agricultural conference rejected a resolution that called for a governmental guarantee of minimum prices of farm products and unanimously adopted in its stead a resolution recommending that the Congress and President should "take such steps as will immediately re-establish a fair-exchange value for all farm products with that of all other commodities."[6]

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1 Henry A. Wallace, Agricultural Prices (Des Moines, 1920), p. 23.

2 U. S. Congress, House, Report of the National Agricultural Conference, Doc. No. 195, 67 Congress, 2 sess. (March 3, 1922), p. 11.

3 Ibid., p. 45.

4 Ibid., p. 47.

5 New York Times, January 27, 1922, p. 1.

6 Ibid.

About the same time, Gray Silver concluded that "price parity" and stabilization were already being affected by recent legislation. At the same time he expressed opposition to price fixing.[1]

McNary-Haugen parity, 1924.-- Hearings on the McNary-Haugen Bill in 1924 brought out several statements on farm parity, most of which regarded the base period "ratio price" as synonymous with "parity." Charles J. Brand of the United States Department of Agriculture stated that the McNary-Haugen Bill would put the American farmers ". . . on a parity with all things that the farmer has to buy."[2]

T. C. Winn of the Utah Wheat Growers League asserted that labor would not object to paying its portion in order to advance the farmer to a "parity" with the all-commodities list which forms the basis for establishing the ratio price sought to be put into effect with respect to his products.[3] He indicated further that there may be other ways than those suggested in the McNary-Haugen Bill of restoring "a parity" between the farmer and other interests of the country.[4]

Gray Silver representing the American Farm Bureau Federation indicated at the 1924 Hearing that the McNary-Haugen Bill proposed to make the tariff effective for agriculture by shipping abroad such exportable surpluses as depress home markets so that whatever amount of money is lost in the transaction will be allocated back to the entire crop, thus affording a higher domestic market

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1 Gray Silver, Statement of Mr. Gray Silver Regarding Government Price Fixing of Agricultural Products, 122 p., n.p. [1922?], listed in U. S. Department of Agriculture, Bureau of Agricultural Economics, Agricultural Economics Bibliography No. 50, Agricultural Relief (Washington, 1933), p. 46.

2 U. S. Congress, House, Hearings before the Committee on Agriculture, on H. R. 5563, McNary-Haugen Export Bill, Serial E, parts 1-15, 68 Congress, 1 sess. Washington, 1924), p. 35.

3 Ibid., p. 285.

4 Ibid.

and permitting agriculture to prosper "on a parity" with other national groups when considered in the light of conditions as they were for ten years prior to the war.[1]

Congressman Purnell of Indiana referred to the "ratio price" goal of 1905-1914 as being helpful to farmers in restoring them "to a parity."[2]

C. H. Zealand, Secretary Interstate Export League, referred at the 1924 Hearing to the enactment of a law providing for an export corporation which would take surpluses off the domestic market providing the tariff were also raised and bring the price of commodities "to a parity" in purchasing power with other commodities held before the war.[3]

In annual convention in 1924, the Iowa Grain Dealers went on record as favoring the establishment of a Government export corporation for disposing of agricultural products on foreign markets in order to place such products on a "price parity" with manufactured products.[4]

Egyptian Parity.-- On January 14, 1926, the Egyptian Government made an official statement setting a parity standard for cotton prices that it presumably regarded as just: "To maintain a reasonable parity between the price of Egyptian and American cotton, by fixing as buying basis for F. G. F. Sakellaridis a premium of 75% over the value of American cotton."[5]

Agricultural parity a ratio price of fair-exchange value.-- Studying the "recent" proposals for farm relief in 1926, Murphy first used the term "parity"

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1 Ibid., p. 387.

2 Ibid., p. 513.

3 Ibid., p. 515.

4 Ibid., p. 520.

5 U. S. Department of Agriculture, Bureau of Agricultural Economics, Foreign Crops and Markets, XII, No. 12 (March 22, 1926), p. 375, as originally reported by Mann, "Egyptian Cotton," Economic and Trade Notes (January 19, 1926).

to connote some undesignated standard of price equality. He stated that the McNary-Haugen Bill was the converse of the protective tariff principle and intended to separate the agricultural surplus from the domestic market in order to dispose of "the domestic supply on the domestic market at a price on parity with that of other commodities."[1] The second reference to "parity" was used to explain the "ratio price" (fair-exchange value) proposal of the McNary-Haugen Bill as a "fair" standard of purchasing power of farm products:

> It is assumed that during this basic period the prices of agricultural products were on a fair parity with the prices of the 404 commodities whose single index would be accepted as the standard to which agricultural prices should conform.[2]

Parity in bargaining power.-- In January, 1929, a Virginia study asked why the farmer should not be helped to form a complete national organization which would put him on a "parity" with all other business organizations having a bargaining power in their sales.[3]

The parity law of 1929.-- Although the word "parity" was not used in the Agricultural Marketing Act of 1929, this law was referred to as a "parity" act.[4] In August, 1929, a writer discussed the task of the Federal Farm Board, whose "aim is to establish a reasonable parity between agriculture and industry."[5] In December, 1929, another writer inquired whether business men were waking up at last and added, "parity for agriculture means billions for

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[1] Arthur Morton Murphy, The Agricultural Depression and Proposed Measures for its Relief (Washington, Catholic University of America, Ph.D. Dissertation, 1926), p. 45.

[2] Ibid., p. 47.

[3] "Will the Farmers Organize and Become Independent or Will They Remain Unorganized and Become Tenants," Virginia Agricultural Department Bulletin 253 (January, 1929), pp. 11-15.

[4] New York Times, June 18, 1929, p. 2; Commercial and Financial Chronicle, CXXVIII (June 22, 1929), pp. 4093-4094.

[5] H. L. Russell, "The Farm Board's Difficult Task," American Bankers Association Journal, XXII (August, 1929), pp. 110, 166-168.

industry."[1] In 1930, C. M. Reed, Governor of Kansas, discussed the "problem of parity for Agriculture with industry," and stated, apparently in reference to the Agricultural Marketing Act of 1929, that "one step had been taken for agriculture" in this direction.[2]

Canadian price parity.-- A. J. McPhail in discussing the Canadian Wheat Pool in 1930 used "parity" to express the concept of equality between Canadian and Argentine prices:

> We found Argentine prices simply falling away from ours, . . . and if we were to have taken such an attitude as to force our prices to a parity with Argentine, no one could have predicted to what level prices would have declined.[3]

World parity for U. S. farm products.-- In describing the methods of the stabilization corporations provided under the Marketing Act of 1929, Charles L. Stewart pointed out in 1931, that the methods of these corporations stood in contrast with those implicit in scrip, fee, and debenture plans which sought "national prices above world parity through adjusted national scarcity."[4]

Farm price parity: price indexes.-- In a radio address in 1932 Edward A. O'Neal, President of the American Farm Bureau Federation, pointed out that "the inequality of agriculture is much worse now than it was in 1928, . . . Then the index level of farm prices was 139; now it is 56."[5] He added, "something must be done to restore the farm price level to a parity with other groups . . . ."[6]

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1 Clarence Poe, "Are Business Men Waking Up At Last?" Progressive Farmer, Tex. ed. XLIV (December 21, 1929), p. 1193T.

2 C. M. Reed, "A Challenge to America," Saturday Evening Post CCIII (September 13, 1930), p. 194.

3 Hugh Boyd, New Breaking (Toronto, 1938), p. 155.

4 Charles L. Stewart, "Farm Relief," Encyclopaedia of the Social Sciences, ed. E. R. A. Seligman, VI (1931), p. 117.

5 U. S. Congress, Senate, Congressional Record, 72 Congress, 1 sess., (June 8, 1932), p. 12275.

6 Ibid., p. 12277.

Prewar parity as fixed price goal.-- On December 15, 1932, leaders of major farm groups gave the House Committee a plan for farm relief which would make the allotment scheme fix prices at "prewar parity."[1] Two weeks later another proposed plan under which the farmer would receive 1914 prices for his products was mentioned. This parity plan was reported to be similar to the domestic allotment plan except that it was held to give the farmer an even better price level inasmuch as it set the "1914 value of products" as the standard rather than "present prices plus tariff rates."[2]

Advocates and opponents of fair-exchange value favor parity.-- Two reports in the early part of 1933, by the House Committee on Agriculture following the hearings on the Agricultural Adjustment Program, reveal that the advocates of fair-exchange value as well as those who were opposed to this idea claimed to be working for "parity." The majority of the Committee reported that agriculture was entitled to a purchasing power equivalent to that of industry as a permanent part of national policy. Although the proposed measure (H. R. 13991) applied to the 1933 crops only, its continued application for placing agriculture on a "parity" with industry was to be left up to Congress.[3] On the other hand, the Minority Report indicated that the Committee for the past ten years sought to bring about enactment of legislation which attempted to place agriculture on a "parity" with industry.[4] The Report stated further that any plan which has for its purpose the stabilization of prices on surplus farm products would only

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1 New York Times, December 15, 1932, p. 8.

2 New York Times, December 31, 1932, p. 2.

3 U. S. Congress, House, Agricultural Relief, Report No. 1816, 72 Congress, 2 sess., January 3, 1933 (Washington, 1933), p. 5.

4 U. S. Congress, House, Agricultural Relief, Minority Report No. 1816, Part 2, 72 Congress, 2 sess., January 4, 1933 (Washington, 1933), p. 1.

work to the detriment of producers.[1]

Parity as fair-exchange value.-- At this time "parity" became associated increasingly with the idea of fair-exchange value or equality of prewar price purchasing power. This usage of the term, as contrasted to the indefinite concept of those who opposed the fair-exchange value idea, was stimulated by two developments. The first development was the triumph of the majority members of the House Committee on Agriculture in securing a favorable endorsement of H. R. 13991, the Jones "parity" Bill, which approved of the fair-exchange value idea.[2] The second development occurred with House passage of the Jones "parity" Bill on January 12, 1933.[3] This, added to the Committee approval, stirred up controversial discussions, a great deal of which were opposed to the farm bill and as such identified "parity" increasingly with the fair-exchange value idea.[4]

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1 Ibid., p. 2.

2 New York Times, January 4, 1933, p. 10.

3 New York Times, January 13, 1933, p. 1.

4 "Temporary Bullish Features Found in Farmers' Parities," Journal of Commerce (January 5, 1933), p. 10; "Exporters Protest Cotton Parity Law," Journal of Commerce (January 6, 1933), p. 8; J. S. Lawrence, "The Parity Plan of Farm Relief," Bradstreet's Weekly, LXI (January 14, 1933), pp. 48-51; "Parity Plan," Nation, CXXXVI (January 18, 1933), p. 54; "The Farm Parity or Domestic Allotment Bill," Commercial and Financial Chronicle, CXXXVI (January 21, 1933), pp. 361-362; "Position of Cotton in Competition with other Commodities," Southern Textile Bulletin, XLIII (January 26, 1933), pp. 12-13; "Senator-elect McAdoo Criticizes Farm Parity Plan--Amendments Needed Before it Would be Practical," Commercial and Financial Chronicle, CXXXVI (January 28, 1933), p. 603; "Farm Allotment Income vs. Cost of Living," Commercial West, LXV (January 28, 1933), p. 12; "Farm Parity Plan," Guaranty Survey, XII (January, 1933), pp. 4-6; "What Price Hogs?" Breeder's Gazette, XCVIII (January, 1933), pp. 3, 13, 14, 15; New York Times, 1933: January 3, p. 1; January 7, p. 8; January 9, p. 36; January 10, p. 2; January 11, p. 1; January 13, p. 1; January 14, p. 6; January 16, p. 2; January 17, p. 3; January 19, p. 2; January 20, p. 2; January 23, p. 2; January 25, p. 7; January 26, p. 16; February 12, Sec. 2, p. 7; March 7, p. 28; March 22, p. 16; H. N. Owen, "As Things Look to Me," Farmer and Farm, Stock and Home, LI, Minn. ed. (February 4, 1933), p. 10; "Take Counsel of Common Sense," National Sphere, XI (February, 1933), pp. 29-30; "Congress Looks to Farm Parity," Review of Reviews, LXXXVII (February, 1933), p. 54.

The proposed farm bill was not a popular measure; however, lack of popular support also characterized the Agricultural Marketing Act of 1929.[1]

Agricultural parity not a specialized term in 1933.-- Although frequency of usage indicated that parity was becoming associated with the idea of fair-exchange value, it is apparent that "parity" had not evolved into a specialized agricultural term by 1933. Evidence of this is revealed by an exchange of remarks at a Senate Committee Hearing less than two months prior to the passage of the Agricultural Adjustment Act of 1933.[2] The remarks were exchanged between Senator Norris of Nebraska and Secretary of Agriculture Wallace:

> Senator Norris. I am just a little bit confused about the word 'parity price.' Is that well understood in the trade? Is that a term the meaning of which is definitely known?
>
> Secretary Wallace. No; this concept is rather a new concept in the idea of social justice. It is just gradually coming into use.[3]

Finally, two years following the passage of the Agricultural Adjustment Act of 1933 Assistant Secretary of Agriculture, Rexford G. Tugwell, in a speech at Los Angeles used the term "parity" in such manner as to indicate that it still had not become restricted to a specialized agricultural term:

> So long as each industry finds itself in a position in which through the lack of any general policy of parity, it must fight only for its own existence, and cannot join in policies looking to the general good, we never can conquer the divisive forces which bring us to periodic ruin.[4]

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[1] H. C. Taylor, "The Agricultural Marketing Act," Rural America, VI (September, 1929), p. 5. Supporters of the parity bill were referred to as "progressives." See New York Times, January 7, 1933, p. 8.

[2] Webster's New International Dictionary, second edition (1934) does not indicate any new specific application of the term "parity" to agriculture. While such has been included, according to Harvard College Library, in the "New Words" section of later impressions, the exact year is not as yet known. Palmer, op. cit., p. 2.

[3] U. S. Congress, Senate, Agricultural Emergency Act to Increase Farm Purchasing Power, Hearings before the committee on Agriculture and Forestry, 72 Congress, 2 sess. March 17, 24, 25, 27, and 28, 1933 (Washington, 1933), p. 25.

[4] Peek and Crowther, op. cit., p. 120.

Agricultural Parity Acts

The Agricultural Marketing Act of 1929, the Agricultural Adjustment Act of 1933, and the other farm price and income relief Acts, up to and including the Agricultural Act of 1949, represent what is referred to as the farm "parity" Acts.

Agriculture on economic equality with other industries: 1929 parity.--The Agricultural Marketing Act of 1929 was designed to achieve "parity" by placing ". . . agriculture . . . on a basis of economic equality with other industries . . ."[1] Specific measuring standards for economic equality (parity) in the 1929 Act are not given. Parity as a broad general objective was to be accomplished by protecting, controlling, and stabilizing interstate and foreign commerce in the marketing of agricultural commodities and their food products.[2] In the declaration of policy there were enumerated four steps by which the broad objective was to be attained: (1) minimizing speculation; (2) preventing inefficient and wasteful distribution; (3) encouraging producer associations and corporations for greater unity of marketing; promoting and financing producer cooperatives and other agencies; and (4) preventing and controlling agricultural surpluses through orderly production and distribution so as to maintain advantageous domestic markets and prevent such surpluses from causing undue and excessive fluctuations or depressions in prices for the commodity.[3]

Insofar as price equality or price parity was concerned, the most specific interpretation that is possible from the Act is that any price level for a commodity other than an excessively fluctuating or depressed level would conceivably

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[1] Agricultural Marketing Act, Public No. 10, U. S. Statutes at Large, 71 Congress, 1 sess., XLVI (June 15, 1929), p. 11.

[2] Ibid.

[3] Ibid.

be acceptable.[1] Presumably it was left to the judgment of the administrators of the Act to decide what constituted excessive fluctuations or depressions in prices.

Apparently income equality was expected to result from equality of price as well as from the other enumerated measures that would place agriculture on a basis of "economic equality." It is clearly evident, too, that the Act emphasized the necessity of improving the conditions for the producer in order to attain economic equality.

The designation of a surplus apparently was also to be left to the judgment of the administrators of the Act:

> There shall be considered as a surplus for the purposes of this Act any seasonal or year's total surplus, produced in the United States and either local or national in extent, that is in excess of the requirements for the orderly distribution of the agricultural commodity or in excess of the domestic requirements for such commodity.[2]

A Federal Farm Board was established to carry out the policy of placing agriculture on an economic equality (parity) with other industries.[3] Major agricultural commodities produced in the United States were to be fairly represented by eight members to be appointed to the Farm Board.[4] A revolving fund of 500 million dollars was appropriated to make loans to cooperative associations

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[1] The ill-defined price level that would be needed to achieve economic equality (parity) was apparently in deference to the second McNary-Haugen Bill which omitted mention of prices because the original McNary-Haugen Bill referred to prices and was objected to on this ground. Despite its omission, Hibbard concluded that ". . . a surplus removing plan would be a plan by which the remaining product should be as high as those concerned want. No matter how much effort is made to cover up the price-fixing phases of the plan it remains a price-fixing plan." See B. H. Hibbard, "Equality and the American System," Country Gentlemen, XCI (November, 1926), p. 125.

[2] Agricultural Marketing Act, Public No. 10, U. S. Statutes at Large, 71 Congress, 1 sess., XLVI (June 15, 1929), p. 11.

[3] Ibid.

[4] Ibid.

and stabilization corporations.[1] Although Congress apparently desired the development of a system of cooperative marketing associations as the major method of accomplishing the intent of the Act, stabilization operations quickly became the principal means for carrying out the purpose.[2]

Purchasing power of farm prices equal to base period level: 1933 parity.--Parity in the 1933 Act for farm product prices was to be at a level equal to the base-period price purchasing power of farm to non-farm products. This idea is expressed in the declaration of policy as follows:

> (1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefore, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco shall be the prewar period, August 1909 - July 1914. In the case of tobacco, the base period shall be the postwar period, August 1919 - July 1929.
>
> (2) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.
>
> (3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the prewar period, August 1909 - July 1914.[3]

The term "parity" is not mentioned in the Act. Instead the idea is expressed by "equality of purchasing power" and "fair-exchange value."[4]

While the intent of the Act emphasized the need for producer equality, it is also evident that consumer equality was recognized as stated in the preceding policy declaration.

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[1] Ibid., p. 14.

[2] Annual Report of the U. S. Federal Farm Board (Washington, June 30, 1930), pp. 3, 24.

[3] Agricultural Adjustment Act, Public No. 10, U. S. Statutes at Large, 73 Congress, 1 sess., XLVIII (May 12, 1933), p. 32.

[4] Ibid., pp. 32, 36.

To accomplish equality of price purchasing power (parity), the provisions of the 1933 Act for reducing supply and stimulating demand play a significant role. The provisions to effectuate the declared policy of equivalent prices were:

> (1) To provide for reduction in the acreage or reduction in the production for market, or both, of any basic agricultural commodity. . . .
>
> (2) To enter into marketing agreements with processors, associations of producers, and others engaged in the handling . . . of interstate or foreign commerce of any agricultural commodity or product thereof. . . . For . . . carrying out . . . such agreement the parties thereto shall be eligible for loans from the Reconstruction Finance Corporation under Section 5 of the Reconstruction Finance Corporation Act.
>
> (3) To issue licenses permitting processors, associations of producers, and others to engage in the handling, in the current of interstate or foreign commerce, of any agricultural commodity or product thereof . . .
>
> (4) To require any licensee . . . to furnish . . . reports . . . as to quantities of agricultural commodities . . . bought and sold and the prices thereof . . .
>
> (5) No person engaged in the storage in a public warehouse of any basic agricultural commodity . . . shall deliver any such commodity . . . without prior surrender . . . of such warehouse receipt.[1]

As a result of Sub-section 2, an agency could be set up to receive loans from the Reconstruction Finance Corporation. The Reconstruction Finance Corporation Act was approved January 22, 1932. Section 5 of the 1932 Act specified:

> . . . aid in financing agriculture, commerce, and industry, including facilitating the exportation of agricultural and other products . . . corporation is authorized and empowered to make loans . . . /to/ agricultural credit corporation . . . organized under the laws of any State or of the United States. . . .[2]

After the abolishment of the Federal Farm Board, the Commodity Credit Corporation was organized on October 17, 1933. It was incorporated as an agency of the United States Government. The CCC was designed to improve farm

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[1] Ibid., pp. 34-35.

[2] Reconstruction Finance Corporation, Public No. 2, U. S. Statutes at Large, 72 Congress, 1 sess., XLVII (January 22, 1932), pp. 6-7.

prices and consequently farm incomes by storage and loan operations. The CCC plan was closely affiliated with the AAA (Agricultural Adjustment Administration) program of production control. Together these two programs had the common goal of price, and consequently income, improvement. Farmers who complied with the production control programs received "benefit payments."

Purchasing power equality of farm prices reasserted.-- With the passage of the "Potato Act of 1935," Congress amended the Agricultural Adjustment Act of 1933.[1] In the 1935 Act, increasing attention was given to income parity by bringing interest and tax payments per acre into the calculation. The base period was to remain at 1909-1914 except in those cases wherein statistics were not available, then 1919-1929 or "that portion thereof for which the Secretary finds and proclaims that the purchasing power of such commodity shall be satisfactorily determined . . ." shall be used.[2]

The Agricultural Marketing Agreement Act of 1937 reenacted and amended the provisions of the Agricultural Adjustment Act of 1933, as amended in 1935, relating to marketing agreements and orders. Except for milk and its products the 1937 Act retained the previous base periods unless:

> . . . the Secretary finds . . . that the prices that will give such commodities a purchasing power equivalent to their purchasing power during the base period . . . are not reasonable . . . he /Secretary of Agriculture/ shall fix such prices . . . /and/ make adjustments in such prices.[3]

Following 1937 several favorable Supreme Court decisions in 1939 upheld the marketing agreements and apparently clarified their status.

Parity prices, and consequently better incomes, were to be attained

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[1] Potato Act of 1935, Public No. 320, U. S. Statutes at Large, 74 Congress, 1 sess., XLIX (August 24, 1935), p. 750.

[2] Ibid., p. 762.

[3] The Agricultural Marketing Agreement Act of 1937, Public No. 137, U. S. Statutes at Large, 75 Congress, 1 sess., L (June 3, 1937), p. 247.

through the marketing agreements by accomplishing more orderly marketing. They have been used mainly with milk, fruits, and vegetables; however, their use is not restricted to these commodities. Marketing agreements take the form of contracts between the Secretary of Agriculture and the handlers of the product, or market orders made compulsory upon the handlers by the Secretary. Equalization of bargaining power between relatively few handlers and many producers represents one of the major ways in which more orderly marketing is attempted through marketing agreements.

Purchasing power of net farm income equal to base period level: 1936 parity. -- Following the invalidation of the 1933 Act by the Supreme Court decision declaring the production control and processing tax features unconstitutional in 1936, Congress quickly passed the Soil Conservation and Domestic Allotment Act, among other reasons, for the purpose of perpetuating parity. In the 1936 Act, parity was defined as a ratio between, ". . . the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during the five-year period August 1909 - July, 1914 inclusive. . . ."[1] As with the 1929 and 1933 Acts, "parity" for producers was the major objective of the 1936 Act; however, recognition was given to the need of a parity that would also be fair to consumers:

> In carrying out the purposes . . . due regard shall be given to the maintenance of a continuous and stable supply of agricultural commodities adequate to meet consumer demand at prices fair to both producers and consumers.[2]

In order to facilitate the realization of parity, the 1936 Act provided for payments to cooperating producers for production adjustments to reduce the supply in addition to use of funds by the Secretary of Agriculture for expansion

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[1] Soil Conservation and Domestic Allotment Act, Public No. 461, U. S. Statutes at Large, 74 Congress, 2 sess., XLIX (February 29, 1936), p. 1148.

[2] Ibid.

of markets.[1]

The 1938 Act legally introduces the term "parity."-- By the time the Agricultural Adjustment Act of 1938 was passed, "parity" apparently had been used often enough in expressions of agricultural equality that it assumed legal status as a distinct term. The 1938 Act was the first of the twentieth century parity laws in which the terms, "parity as applied to prices" and "parity as applied to income" were used.[2] Emphasis continued to be placed on producer parity by the term. In the 1938 Act, consumer parity was still referred to as "fair prices."[3] The definition of price parity in the 1938 Act is basically similar to that in the 1933 Act, while the definition of income parity in the 1938 Act is fundamentally similar to that in the 1936 Act. Parity definitions as given in the 1938 Act for prices and income are:

'Parity,' as applied to prices for any agricultural commodity, shall be that price for the commodity which will give to the commodity a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of such commodity in the base period; and, in the case of all commodities for which the base period is the period August, 1909 to July, 1914, which will also reflect current interest payments per acre on farm indebtedness secured by real estate, tax payments per acre on farm real estate, and freight rates, as contrasted with such interest payments, tax payments, and freight rates during the base period. The base period in the case of all agricultural commodities except tobacco shall be the period August, 1909 to July, 1914, and in the case of tobacco, shall be the period August, 1919 to July, 1929.[4]

'Parity,' as applied to income, shall be that per capita net income of individuals on farms from farming operations that bears to the per capita net income of individuals not on farms the same relation as prevailed during the period August, 1909 to July, 1914.[5]

The 1938 law required the Agricultural Adjustment Administration to support

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1 Ibid., pp. 1150-1151.

2 Agricultural Adjustment Act of 1938, Public No. 430, U. S. Statutes at Large, 75 Congress, 3 sess., LII (February 16, 1938) p. 38.

3 Ibid., p. 31.

4 Ibid., p. 38.

5 Ibid.

prices of wheat, corn, and cotton at not less than 52 percent nor more than 75 percent of parity under specified conditions. The Act also permitted, but did not require, price supports on agricultural commodities other than wheat, corn, and cotton. The Secretary of Agriculture was to decide at what point between 52 and 75 percent of parity the support price was to be set except in the case of corn. For this crop a support was to be set which depended upon the amount of the excess supply above normal.

"Parity" was to be achieved by such measures as adjustments in freight rates for farm products, new uses and new markets for farm products, loans on agricultural commodities by the Commodity Credit Corporation, marketing quotas, acreage allotments, and crop insurance.[1]

<u>Parity (price equality ideas) since 1938</u>.-- Although base period and other modifications--higher and in instances more rigid price supports as a percent of parity--have been introduced into the parity laws since 1938, the laws following 1938 retain essentially the same goal of achieving some designated standard of price and /or income equality through surplus adjustments. In July, 1941, the Steagall Amendment to the Agricultural Adjustment Act of 1938 was passed which required the Secretary of Agriculture to support the price of a requested increase in production. The support was not to be less than 85 percent of parity and was to continue two years after the end of the war. In October, 1942, the Secretary was required to support prices of the basic commodities at 90 percent of parity (92.5 for cotton) and not less than 90 percent for the Steagall commodities. The Price Control Act of 1942 prohibited the application of price ceilings to farm products below 110 percent of parity or below their price on October 1, 1941, on December 1, 1941, or the average price

[1] <u>Ibid.</u>, pp. 36-77.

between July 1, 1919 and June 30, 1929 whichever was highest. In 1943, subsidy payments were inaugurated for certain processors and distributors in order to permit a rollback of retail prices without reductions in farm prices. The Agricultural Act of 1948 with modifications extended the price supports which had been established by the wartime legislation. The Agricultural Act of 1949--now in effect--provides a "moving-base" parity standard of the most recent ten years which was introduced by the Agricultural Act of 1948. The complete adoption of the ten-year moving-base, however, for the basic crops does not occur until 1954.

The wide scope of the parity price concept is revealed recently (1952) by the U. S. Department of Agriculture's Production and Marketing Administration. In examples on how to compute "parity," illustrations are given for "old parity," "transitional parity," " effective parity," and "new parity."

Agricultural Parity

"Agricultural parity" is a concept of farm price and income justice which is to be achieved through adjustments of farm surpluses. Although "agricultural parity" is understood generally to mean an equality in price purchasing power of farm products compared to a previous fair or just base-period, indications are that agricultural price or income parity includes but is not restricted to the base-period idea of equality. Frequency of reference to the base-period standard--adopted in 1933 and continued to the present--has obscured earlier non-base period parity plans such as the Agricultural Marketing Act of 1929 and the farm price equality (improvement) plans preceding the twentieth century.

The selection of the parity standard is influenced significantly by what is considered fair or just. In the Agricultural Marketing Act of 1929--one of the first major parity Acts of the twentieth century--price parity is presumably a commodity price level other than an excessively fluctuating or depressed level. The base-period parity Acts beginning in 1933 that are definitive in statistically measurable standards are likewise affected by what is considered a fair or just standard. This is evidenced by the choice of the base-period, the items to include in the formula, the selection of the means to achieve a "normal" balance between demand and supply for price or income equality, and the "fixing" of prices in certain instances by the Secretary of Agriculture whenever he finds base-period price relationships are unreasonable for certain products under marketing agreements and orders.

While agricultural parity is defined differently by the several parity Acts--particularly the 1929 Act as compared with those that follow--all have the common objectives of, first, raising prices and/or incomes to some level that is considered a standard of equality (parity) with non-agriculture, and second, adjusting agricultural surpluses in order to realize the price and income goals. The concept of equality (parity) in the laws has greatest application to price justice (justum pretium) followed by income justice. Surpluses in the Acts refer to market surpluses rather than physical surpluses, and as such may presumably result from an excess supply, a deficient demand, a fall in the general price level, or from any other causes that are instrumental in keeping farm prices and consequently incomes below the designated parity standard. Implicit, too, in the Acts are the assumptions that inequality (disparity) for agriculture can be remedied and equality (parity) can be attained and maintained through price and/or income remedies.

PART II: THE "DISPARITIES"

CHAPTER III

"DISPARITY" PRICES

The meaning of "disparity," why "disparity" prices develop, and a discussion of "disparity" farm prices--ancient and modern--are undertaken in this chapter.[1]

Usages of the Term "Disparity"

Discussing the agricultural depression following 1920, Wiley used the term "disparity" to describe the fact that agricultural prices "fell first, fell fastest, and fell farthest" as compared to prices of other industries.[2] In 1926, at least two writers mentioned that "price disparities" existed in purchasing power of farm products.[3] Two years later, Professor Commons referred to the "disparity" between the prosperity of the industrial world and the distress in our agricultural region.[4] In 1930, J. S. Lawrence wrote that farm relief was a sectional issue and that although the farmer had moved more rapidly and farther during the past decade than in any other similar period in history, his urban brother had done better and in this fact "lies the disparity about

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[1] The "disparities"--price and income--are considered primarily responsible for the multitudinous proposed and attempted "disparity" remedies beginning in antiquity and continuing through modern times which are reviewed in Part III.

[2] C. A. Wiley, "Agriculture and the Disparity of Prices," Southwestern Political and Social Science Quarterly, VI (March, 1926), p. 336.

[3] "Farm Earnings Not Keeping up With City Wages," Literary Digest, LXXXIX (June 5, 1926), p. 90; Editorial, "Farmer's is the Nation's Business," Outlook, CXLIII (June 23, 1926), p. 273.

[4] J. R. Commons, "Farm Prices and the Value of Gold," 32 p. Pam. Col. reprinted from the North American Review (January-February, 1928).

which such copious and bitter tears have been shed."[1]

"Disparity" is used also in studies of historical movements of farm and non-farm prices wherein designations of inequality are indicated.[2] In 1932, F. P. Lee, representing the farm organizations, spoke first of "disparity" then of "parity" in his remarks before the House Committee Hearing on the Agricultural Adjustment Program.[3] The Agricultural Adjustment Act of 1933 uses "disparity;" however, it does not use "parity," in its declaration of emergency and policy.[4] The term "disparity"--an antonym of "parity"--as applied to prices or incomes appears to be a general concept of "inequality."

How "Disparity" Prices Develop

Recognition of the function of prices provides a clue to the determination of the nebulous "disparities" (inequalities). Prices perform the two-fold function of (1) allocating scarce productive resources to maximize output and (2) rationing (distributing) the product to consumers. This function is handled so efficiently in well-organized markets that the magnitude and complexity of the task are often unnoticed. When this operation is hindered from working well as, for example, in the depression of the 1930's, World War II, and in the present Korean crisis, the significance of the task becomes more readily

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[1] J. S. Lawrence, "The Futility of Farm Relief," Harper's Magazine, CLX (May, 1930), pp. 686-695.

[2] Earl J. Hamilton, Money, Prices, and Wages in Valencia, Aragon, and Navarre, 1351-1500 (Cambridge, Massachusetts, 1936), p. 56; ________, War and Prices in Spain, 1651-1800 (Cambridge, Massachusetts, 1947), p. 175; G. F. Warren, F. A. Pearson, and Herman M. Stoker, Wholesale Prices for 213 Years, 1720 to 1932 (Ithaca, New York, 1932), p. 202.

[3] U. S. Congress, House, Agricultural Adjustment Program, Hearing before the Committee on Agriculture, 72 Congress, 1 sess.,(Washington, December 14, 1932),p. 10.

[4] Agricultural Adjustment Act, Public No. 10, U. S. Statutes at Large, 73 Congress, 1 sess.,XLVIII (May 12, 1933), p. 32.

apparent.[1]

There have been many periods in which it was believed that the price structure needed assistance in order to function properly.[2] Implicit in such beliefs is the idea that if prices could be set at a just or fair level, the problem of economic resource allocation and distribution of product would be solved. Prices that did not perform satisfactorily came to be regarded as being at a "disparity."[3]

Spanish Farm and Non-Farm Wholesale Prices, 1351-1800

Among the more complete sources of prices in Europe from 1351 to 1800 are summaries based on contemporaneous documents in the private, ecclesiastic, and public archives of Spain.[4] The studies are divided into three major periods: 1351-1500, 1501-1650, and 1651-1800. Indexes of agricultural and non-agricultural prices in the two first-mentioned periods are based on ten years of approximately

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[1] T. W. Schultz was one of the first of the recent contributors to conclude that the function of prices could be improved appreciably by use of "forward prices" announced before the production season. In so doing he implicitly condemns "free-market" pricing. See his Redirecting Farm Policy (New York,1943).

[2] For one of the more extended summaries see Mary G. Lacy, Annie M. Hannay, and Emily L. Day, Price Fixing by Governments 424 B.C.-1926 A.D. (Bibliography No. 18, Washington, 1926).

[3] Prices have been adjudged in some instances to be at a "disparity" according to arbitrary standards. Of particular note in this connection are the base-period "parity" standards inaugurated by the Agricultural Adjustment Act of 1933. The choice of the years, 1910-1914, as a "normal" base-period for "equality" (parity) cannot be condoned on the grounds of "representativeness," because the ratio of prices of farm to non-farm products with (1910-1914 = 100) has been equal to or above 100 in only ten years or less than eight percent of the time from 1798 to 1933.

[4] Earl J. Hamilton, Money, Prices, and Wages in Valencia, Aragon, and Navarre, 1351-1500 (Cambridge, Massachusetts, 1936); _________, American Treasure and the Price Revolution in Spain, 1501-1650 (Cambridge, Massachusetts, 1934); _________, War and Prices in Spain, 1651-1800 (Cambridge, Massachusetts, 1947). For a listing of the proposed prices Monographs sponsored by the International Scientific Committee on Price History see Arthur Harrison Cole, Wholesale Commodity Prices in the United States, 1700-1861 (Cambridge, Massachusetts, 1938).

the half-way point of the periods. The third division, 1651-1800, has a twenty-five year base, 1726-1750, which begins near the middle of the era, 1651-1800. Unweighted arithmetic index numbers are used throughout the studies because of the diversity of weights and measures of this period. The indexes of agricultural prices usually include all commodities produced on farms by common agricultural labor; the non-agricultural indexes comprise not only articles of non-agricultural origin but also goods manufactured from agricultural raw materials.[1] The bulk of the commodities from which the indexes are constructed are food items.

Greater variability is generally characteristic of the indexes of agricultural prices as compared to those of non-agricultural prices during the 450 years following 1350. This resulted from the relatively inelastic demand for agricultural commodities and the marked variation in output resulting from good and bad seasons.[2]

American Farm and Non-Farm Wholesale Prices, 1798-1950

The four highest price periods for U. S. farm and non-farm products from 1798 to 1950 (1910-1914 = 100) occurred shortly after the War of 1812, the Civil War, and World Wars I and II (Fig. 1). It will be noted that farm prices did not rise relatively as much as non-farm prices following the first three major wars. In the most recent period, farm prices increased relatively more than

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[1] For Valencia the index numbers of agricultural products include processed goods such as olive oil and wine of agricultural origin. See Earl J. Hamilton, Money, Prices and Wages in Valencia, Aragon, and Navarre, 1351-1500 (Cambridge, Massachusetts, 1936), p. 56.

[2] Earl J. Hamilton, Money, Prices, and Wages in Valencia, Aragon, and and Navarre, 1351-1500 (Cambridge, Massachusetts, 1936), pp. 55-56, 104; ________, American Treasure and the Price Revolution in Spain, 1501-1650 (Cambridge, Massachusetts, 1934), p. 260; ________, War and Prices in Spain, 1651-1800 (Cambridge, Massachusetts, 1947), p. 173.

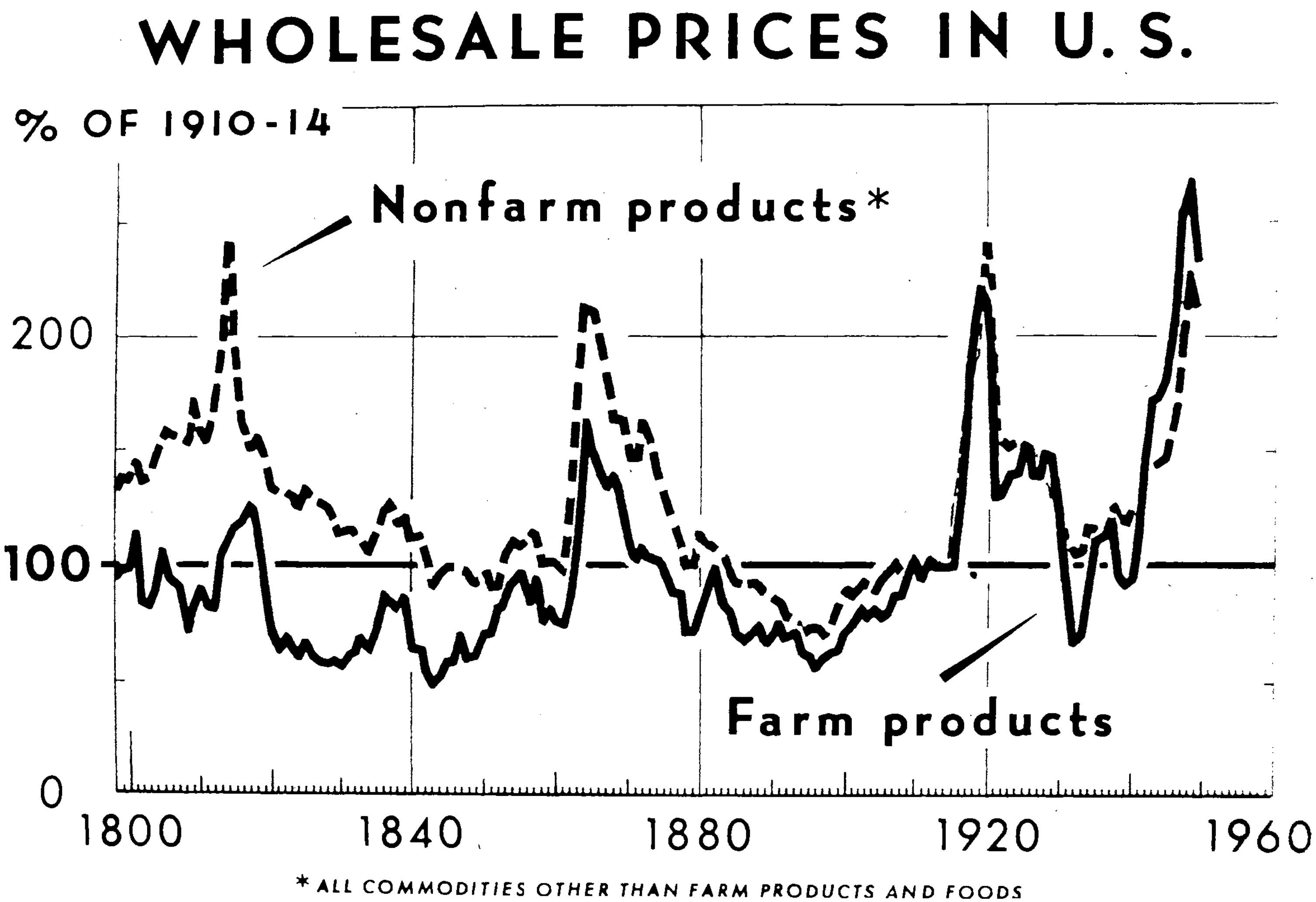

Figure 1. Index Numbers of Wholesale Prices of Farm and Non-Farm Products in the United States, 1798-1949 (Base = 1910-1914). From: U.S. Department of Agriculture, Bureau of Agricultural Economics, Agricultural Outlook Charts - 1950 (Washington, 1949), p. 10.

non-farm prices. Farm prices as compared to non-farm prices for the past 150 years have had a more pronounced upward trend. Following the first three major inflationary peaks, farm prices fell earlier and farther than non-farm prices and as such were characterized by "disparity." In general farm prices have fluctuated much more than non-farm prices, while production in agriculture has varied much less than in industry.[1] In effect, agriculture has been subject not only to "disparity" prices following the major inflationary peaks, but has been vulnerable to short-run "disparities" as well.[2] Following the major inflationary peaks, farm prices reached their lowest levels in 1843, 1896, and 1932.[3]

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[1] U. S. Department of Agriculture, Bureau of Agricultural Economics, Agricultural Outlook Charts--1951, p. 2.

[2] An examination of the general economic environment from 1796 to 1950 shows that there were nineteen depressions in the United States preceding the two major postwar depressions of the twentieth century which affected prices. See the 1951 Business Booms and Depressions chart by the Cherry-Burrell Corporation, 427 W. Randolph St., Chicago 6, Illinois.

[3] The "disparity" in farm prices in the 1890's stimulated the development of the Lubin idea, which among other plans, was designed to achieve "farm justice and equity." The 1930's witnessed the realization of the Peek-Johnson idea of agricultural "equality" in the form of the Agricultural Adjustment Act of 1933. The Peek-Johnson plan--like the Lubin idea--advocated equality for agriculture by equalizing the benefits of the protective tariff. These "disparity" remedies are discussed in Chapters VII and VIII.

CHAPTER IV

"DISPARITY" INCOMES

Various comparisons reveal that farm incomes have been and continue to remain quite low relative to non-farm incomes. One of the more important of the attempted remedies for solving the "disparity" of farm incomes is the price mechanism. Properly functioning prices may result in better incomes, but prices are limited as a means of solving the "disparity" farm income problem.

Extent of Low Farm Incomes

In considering the low-income problem of agriculture it must be recognized that as for other heterogeneous groups, variations make up the average. The fact remains, however, that agriculture has a relatively large share of population which receives very low incomes.[1] Even though the low-income problem is not restricted to agriculture, the agricultural sector does have a greater proportion in the low-income brackets than does the non-agricultural group. In comparing farm with non-farm income the need for adjustment of dollar values should be kept in mind. Variations in real incomes exist because of differences in cost of living in different communities, in modes of living of different population groups and in the number of persons dependent on the income and their individual needs. While it is not possible to refine the income estimates for such qualifications, these characteristics should be kept in mind in interpreting

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[1] One author concludes that there are three million inadequate United States farms of low-income. See Leonard Hastings Schoff, A National Agricultural Policy (New York, 1950), p. 134. Preliminary 1950 census data report 5,382,100 farms for the United States. This means that 60 percent according to Schoff are inadequate farms of low-income.

the differences.

The actual dollar incomes of farm families in 1935-1936 were conspicuously grouped in the lower income levels--52 percent falling below $1,000 as compared to 34 percent for families in small cities and 25 percent in large cities (Table 1). Three-fourths of the farm families received $1,500 and less as compared to 59 percent of the families in small cities and 48 percent of the families in large cities.

Comparisons of United States real income per farm worker and per industrial worker, adjusted for unemployment for the years 1910-1945 indicate that the agricultural worker received considerably less than the non-agricultural laborer. In 1945, for example, the farm worker averaged $800 as compared to approximately $1,750 for the non-farm worker. Then, too, the farm worker's income fluctuated more than the non-farm worker's during this period.[1]

Table 1. Cumulative Frequency Distributions of Non-relief Families in Three Types of Community, by Income Level, United States, 1935-1936*

Income Level	Type of Community		
	Large Cities	Small Cities	Farm
Dollars	Percent	Percent	Percent
1,000 and under	24.5	33.6	52.3
1,500 " "	47.5	59.3	74.9
2,000 " "	66.5	76.5	86.7
2,500 " "	78.9	86.3	92.3

* Compiled from: U. S. National Resources Committee, Consumer Incomes in the United States their Distribution in 1935-36 (Washington, 1938), p. 25.

[1] Martin R. Cooper, Glen T. Barton, and Albert P. Brodell, Progress of Farm Mechanization, U. S. Department of Agriculture, Bureau of Agricultural Economics (Washington, 1947), p. 74.

Prices Limited in Solving "Disparity" Incomes

Implicit in attitudes concerning fair farm prices is the idea that producers will receive adequate incomes if fair prices are provided. Undoubtedly the income status of farm families would be helped to a modest extent if farm prices were raised. On the other hand, prices are limited in their ability to solve the low-income problem of agriculture. This handicap results from the limited resources available to a large segment of the farm population. Even if farm prices were increased sufficiently to result in a doubling of farm incomes, the one-fourth of the non-relief farm families in the United States who received \$500 or less in 1935-1936 would have received \$1,000 or less.

As previously mentioned, one of the functions of prices is to guide resource allocation for maximization of production. The economic rule to follow in this respect is the principle of marginal productivity. According to this principle social returns are maximized by allocating each resource so that equal increments of input yield equal increments of value of output.

Any arbitrary attempt to equalize payments (prices) for unequal marginal productivities for the purpose of attempting to improve incomes and thereby achieve "income equality" interferes with the necessary adjustment of resource use for maximization of value of product. At the same time many farm families are in the dilemma of having such inadequate resources that they cannot acquire the necessary funds for attaining economic units or for shifting human resources to other more productive alternatives. This suggests that other measures in addition to the price mechanism must be considered in plans to alleviate the low-income problem of agriculture.

In 1819, Sismondi believed that he had discovered the cause of economic evil in the "disparity" between productive power and the social relations which determined their use.[1] In considering a remedy he at first wavered between (1) a solution which would replace the existing social order by one which would be in harmony with the productive powers, and (2) a remedy which would limit the expansion of productive powers so as to make them congruous with the opportunities offered by existing social relations. In the final analysis, he favored a revival of the independent producer, the small farmer, and the artisan; government, he thought, should slow up invention and progress in order that necessary adjustments could be made smoothly without causing over-production.[2]

T. W. Schultz recently has focused attention on this problem by asserting that the only rational basis for testing the adequacy of the income which a farm family receives is in terms of social welfare. He points out that the resource and income problems are essentially two undertakings and as such must be separated in analysis, in policy making, and in the operation of programs.[3] Concluding that there is virtually no disagreement as to the validity of the principle of marginal productivity for allocating resources in production, he asserts that major institutional changes are involved when society supplements incomes according to social welfare criteria.[4] Schultz believes that in peace-time income distribution may be of even greater significance than the economics of production.[5]

Other recent studies have emphasized also that the solution of the low

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[1] J.-C.-L. Simonde de Sismondi, Nouveaux Principes d'Economie Politique ou de la Richesse dans ses rapports avec la population, I (1819), as reported by Eric Roll, A History of Economic Thought (New York, 1946), pp. 257-258.

[2] Roll, op. cit., p. 258.

[3] Theodore W. Schultz, Redirecting Farm Policy (New York, 1943), pp. 28-29.

[4] Ibid., p. 37.

[5] Ibid. For a more recent and more extensive study of the resource and income problem see Theodore W. Schultz, Production and Welfare of Agriculture (New York, 1949).

income problem of agriculture should not be attempted solely through the price mechanism. For example, Leonard H. Schoff concludes that about one-third of what he classifies as the three million inadequate farms of low-income could be helped by a "Labor-Mobility-Assistance Loan program" administered by the Farmer's Home Administration. He believes that under such an arrangement more productive work could be found in other occupations pending the availability of employment.[1] Another study by a conference committee of thirteen prominent economists (with one member dissenting) recommends an income supplement program for all commercial farms during times of general and severe depression.[2]

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[1] Schoff, <u>op. cit.</u>, p. 135.

[2] <u>Turning the Searchlight on Farm Policy</u> (Chicago, Farm Foundation, 1952), pp. 59-82.

PART III: THE "DISPARITY" REMEDIES

CHAPTER V

"DISPARITY" REMEDIES IN THE ANCIENT WORLD

In a classification of the great agricultural nations of antiquity may be included Egypt and China. A brief summary follows on some of the surplus storage experiences of Egypt. In addition, a limited number of "disparity" price remedies of ancient China are reviewed.

Egyptian Grain Storage, 1700 B. C.

One of the earliest of the recorded food storage programs occurred in Egypt.[1] The major purpose of this ancient effort was not to correct price inequalities for producers or consumers. Instead, it was a plan to cope with a prophesied famine as "God hath shewed Pharaoh what he is about to do."[2] Pharaoh accordingly appointed Joseph, the prophetic interpreter of the warning, to undertake a storage program of the fifth part of the land of Egypt in the "seven plenteous years" in order to be prepared for the "seven years of famine."[3]

Surpluses used to acquire land and slaves.--While not specifically designed as a "disparity" price or income remedy, the Egyptian experience did have a few characteristics similar to those of our modern "disparity" price and income remedies. The storage feature during "plenteous years" is of particular

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[1] Joseph's program was in effect around 1700 B. C.; however, as far back as the fifth dynasty around 2830 B. C. there were grain programs in Egypt. See Mary G. Lacy, "Food Control During Forty-Six Centuries, A Contribution to the History of Price Fixing," an address before the Agricultural History Society, Washington (March 16, 1922), pp. 2-3, reprinted and distributed by Swift & Company.

[2] Gen. 41:25.

[3] *Ibid.*, 41:29-49.

interest in this connection. Although it may be tempting to judge the Egyptian government as unjust in taking undue advantage of a Divine warning as well as to conclude from this experience that government controls may lead to dangerous abuses, it is informative to note that the people of Joseph's time were highly grateful for the government's action in preventing their starvation: "And they said, Thou hast saved our lives: let us find grace in the sight of my lord, and we will be Pharaoh's servants."[1] Joseph, therefore, instituted a system of land tenure by which the land became the property of the government; a "fifth part" of the land, except the land of the priests, was to go to Pharaoh.[2]

Chinese Price Equality Programs, 1122-387 B. C.

Specific "disparity" price remedies for producers and consumers may be found in the experiences of ancient China.

A method of adjusting demand and supply.-- To attain price equality a decision had to be made as to what supply was needed to meet the demand at a fair price to producers and consumers. An example of how the decision was made is provided by the official system of Chou about 1122 B. C.: ". . . the Superintendent of grain looked around the fields and determined the amount of grain to be collected or issued, in accordance with the condition of the crop; fulfilling the deficit of their demand and adjusting their supply."[3]

After describing the bad condition of farmers, Li K'o, minister of Wei, described how and for what purpose grain (rice) prices would be equalized:

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[1] Ibid., 47:25.

[2] Ibid., 47:26.

[3] Huan-Chang Chen, The Economic Principles of Confucius and His School (New York, 1911), as reported by Lacy, op. cit., p. 4.

The purchase of the government is for the purpose of limiting the supply according to the amount demanded by the people, and it should be stopped when the price is normal. This policy will prevent the price of grain from falling below . . . normal and keep the farmers from injury.

. . . the government controls the excess of supply in a good year in order to meet the demand in a bad year.[1]

The outcome of the policy of Li K'o was apparently favorable. ". . . when his scheme was carried out in Wei, he not only made the people rich, but also made the State strong."[2]

Programs for adjusting the supply and demand of grain for price equality are indicated also in the writings of Mencius three hundred years before the Christian Era.[3]

Advantages and disadvantages of the price equalization scheme.-- Huan-Chang Chen asserts that the price equalization scheme was beneficial and practical. At the same time, however, he indicates that its most serious weakness was its vulnerability to political abuse. In discussing its benefits and practicability he stated:

It benefits the people without cost to the state. When the price is too low, though, the government buys the grain at a price higher than the market rate; this does not mean a waste to the government. When the price is too high, though, the government sells the grain at a price lower than the market rate; it does not mean a loss to the government. Even if it should be an expense to the government, the social benefit is much greater than the public expense.[4]

He believes the major shortcoming of the price equalization scheme resulted from the weakness of man. "The [disadvantage] results not of the original law itself, but of the administration of man. The chief difficulty in administering it is that it is not easy for officials to undertake commercial functions along with political duties."[5]

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1 Ibid., pp. 5-6.
2 Ibid., p. 6.
3 Ibid., pp. 6-7.
4 Ibid., p. 7.
5 Ibid.

CHAPTER VI

"DISPARITY" REMEDIES, FOREIGN AND DOMESTIC, 1273-1849

"Disparity" remedies or aspects of "disparity" remedies attempted during the long period of some six hundred and fifty years beginning with the thirteenth century include such diverse programs as the Spanish Mesta, 1273-1836; English Corn Laws, 1436-1846; Colonial American Tobacco Price Programs, 1619-1774; Armed Uprisings in Early America, 1676-1794; and Early American Tariffs and The Cotton Holding Trust, 1789-1839.

The Spanish Mesta, 1273-1836

The "Mesta," a Castilian sheep raisers' gild, existed in Spain during the period from 1273 to 1836.[1] Although vitally concerned with the production and marketing of wool, the significant influence of the Mesta extended beyond wool production and marketing activities:

> The history of . . . 'the Honorable Assembly of the Mesta,' . . . presents a vivid picture of some six hundred years of laborious effort on the part of one of the great European powers to dominate the production and marketing of that essential raw material. This policy, though primarily concerned with the agrarian affairs of the realm, had, nevertheless, a far wider significance because of its part in the mercantilistic ambitions of the greatest of the Castilian monarchs. The high unit value of wool, its compact, exportable form, and the universal demand for it made it one of the most valued means for determining the relative status of rival monarchies.[2]

From the standpoint of price improvement, the Mesta did not participate in marketing activities; it was a protective association designed to facilitate

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[1] Julius Klein, The Mesta A Study in Spanish Economic History, 1273-1836 (Cambridge, Massachusetts, Harvard, 1920).
[2] Ibid., p. vii.

the operations of its members, to plead their cases at court, and to secure for them every possible advantage. Its persistent activity was the chief reason for the important development of an organized large scale export wool trade.[1]

The significance of the wool trade to the Mesta.-- The history of the Spanish wool trade is yet to be written.[2] The significant role played by the Mesta, however, is revealed not only by the indirect measures of encouragement but by the simultaneous decline in influence of the wool trade and the Mesta.[3] From about 1560 onward the activities of the Mesta were less and less important, because of the declining significance of the migratory sheep industry in Spain.[4]

The final humiliation of the Mesta and its long cherished hopes for a continued monopoly of the high quality wool trade occurred with the deportation of merino sheep from Spain. The successful establishment of flocks in Sweden in 1720 and later in Saxony and at Rambouillet made inevitable the doom of the Mesta.[5]

English Corn Laws, 1436-1846[6]

The first corn laws in England arose out of the frequency of local scarcities and the diversity and fluctuations of prices. Local scarcities in some areas and surpluses in others resulted primarily because of the existence of

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1 Ibid., pp. 33-34.
2 Ibid., p. 34.
3 Ibid., p. 46.
4 Ibid., p. 352.
5 Ibid., pp. 47-48.
6 "Corn Laws," Encyclopaedia Britannica, VII, 11 ed., pp. 174-177. See also Arthur Barker, The British Corn Trade, From the Earliest Times to the Present Day (London, 1920); W. Cunningham, The Growth of English Industry and Commerce (Cambridge, 1910); N. S. B. Gras, The Evolution of the English Corn Market (Cambridge, Massachusetts, 1915); T. R. Malthus, Observations on the Effects of the Corn Laws (London, 1815); David Ricardo, The Principles of Political Economy and Taxation (London /original ed. 1817/, 1911); Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (New York, /original ed. 1776/, 1937).

poor roads. Apart from this feudal germ of legislation on corn, the history of the corn laws may be classified as beginning around 1436. In this year exportation was permitted without state license when the price of wheat or "other corn" fell below certain prices. The landed interest had adopted the idea of "sustaining and equalizing the value of corn," and promoting their own industry and gains. This policy was perpetuated for four centuries in England under various modifications and under great social and political changes.

Policy of equalization did not meet expectations.-- The policy, however, did not attain the results anticipated for it. Foreign imports could not be large as long as neighboring countries prohibited exports. Exports of native corn, even to Dutch and other European ports, could not be effective except in limited maritime districts as long as the internal corn trade was suppressed by poor roads and legal interdict. Regulations of exports and imports by rates of price had the same objection as the various "sliding-scales, bounties, and other legislative expedients down to 1846," because they failed to create a permanent market and aimed only at a casual trade.

In 1603, a statute removed the futile provisions in favor of tillage and against enlargement of pastoral farms, and rested the whole policy of promoting an equable supply of corn, while encouraging agriculture, on an allowed export of wheat and other grain when the price of wheat and other grain was not above a specified level. This procedure, based on legislation more than a century and a half old, failed to promote agriculture or increase the bread supply. The reasons for failure, other than the general reasons mentioned, included: (1) the economic attractiveness of wool which had a free export market and was sure of a foreign as well as a domestic market; (2) depreciation of the value of the standard money, which resulted in greater restrictions on exports of corn, because a price fixed for export or import at one period became more restrictive than intended for a later period; (3) the fact that labor wages were kept down by statute, and the demand for farm products was thus held down. The spirit of feudalism remained, and the collar of serfdom was imposed on people who were by statute freemen.

In 1660, a more prohibitory Act was passed. While nominally permitted, export and import of corn were subjected to heavy duties--the need of the exchequer being the paramount consideration, while the agriculturists were undoubtedly pleased by securing complete command in the home market. This Act was followed by such high corn prices and so little advantage to the revenue that parliament reduced the duties in 1663 on imports, raised the price at which exports ceased, and reduced the duty on exports.

Export bounty provided.-- In 1670, prohibitory duties were reimposed on imports when the home price was below a given level. Complaints, however, persisted concerning the decline of agriculture and as a result an export bounty was provided for grain. Export duties were abolished and heavy import duties were maintained. Even though this was the most one-sided form which the British corn laws ever assumed, the prices of corn fell, instead of rising.

Toward the close of the eighteenth century and the early years of the nineteenth century, English agriculture was improved. In the brief peace of 1814, however, the average bullion price of British wheat fell. All the means of select committees of inquiry on agricultural distress, and new modifications of the corn laws, were again brought into play. The Act of 1815 intended to keep the price of wheat up, but the war and great expenditures of money raised by public loans had ended. The ports of the continent were again open to some measure of trade and the equalizing effect of trade upon prices.

Failure of statutes and demise of corn laws.-- The corn statutes of the next twenty years, although occupying an enormous amount of time by parliament were simply a record of the impotence of legislation to maintain the price of a commodity at a high point when all the natural economic causes in operation are opposed to it.

An effectual end to the history of the corn laws was provided by the famous Act of 1846. Under this measure maximum duties on foreign grains, wheat, barley, and oats, were to be immediately reduced when prices fell below designated levels. In 1849, these duties were to cease and be replaced by still lower levels for corn, meal, and flour. In 1869, these nominal duties were abolished. Although a registration duty was imposed on imported corn and flour in 1902, it was repealed in 1903.

Colonial American Tobacco Price Programs, 1619-1774[1]

Among the more comprehensive Colonial American antecedents of modern agricultural parity are the surplus tobacco remedies for price improvement in Colonial Virginia and Maryland. Programs to attain price relief from the surpluses included attempts at monopoly, legislative price-fixing, restriction of volume of production or exports, and standardization and improvement of marketability.

Monopolies relatively unsuccessful.-- Monopolistic controls took the form of fiscal monopolies as Royal prerogatives, 1619-1638; private attempts at monopoly, 1690; and action by London merchants, 1725-1737.

The fiscal monopolistic concessions failed primarily because the various

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[1] L. C. Gray, "The Market Surplus Problems of Colonial Tobacco," Agricultural History, II (January, 1928), pp. 1-34. Gray classifies monopoly remedies, price-fixing, and restriction of volume of production or exports as attempted solutions of the "surplus" problem. The author also includes standardization and improvement of marketability as attempted solutions of the "surplus" problem, inasmuch as a surplus may result from either an excess supply, a deficient demand, or both.

proposals were made largely for the special benefit of the Crown and courtiers who sought to fatten their purses at the expense of the planters. Private attempts to create a monopoly of sweet-scented tobacco cured by Brazilian methods met with little encouragement by the Virginia authorities. The London merchants united chiefly because of the advantage of the agent of the French fiscal monopoly who purchased whole shiploads of tobacco which were dumped on the Dutch market and then, on the basis of the demoralized prices established, came to London and outpost markets to purchase the annual supply for France.

Previously, London merchants had organized for concerted action, but their efforts had failed through inability to hold all members in line. A movement for reorganization was therefore undertaken. Under the new plan the promoters believed that the pressure of opinion among their clients in Maryland and Virginia would keep the London merchants in line. The organization of twenty-nine firms of London merchants was formed in 1728 and an agreement was reached on a minimum price for tobacco. Very soon, however, some of the merchants were accused of dealing surreptitiously with the French. Others openly broke over on the ground of "self-defence." Nearly a decade later, another proposal was made by a group of merchants to form a monopolistic selling agency to confront the buyers' monopoly enjoyed by the French. The proposal met determined opposition in the Colonies, probably largely on the part of the old-line British commission merchants, whose trade would have been largely displaced by the arrangement, and apparently the proposal was not put into effect.

Legislative price-fixing set standards.--Acts fixing the general level of tobacco prices and prohibiting its exchange at lower levels were passed by the Virginia House of Burgesses in 1632, 1633, 1639, and 1640. These Acts are to be distinguished from the numerous "rating" Acts necessitated by the use of tobacco as currency, which set the exchange-ratio of tobacco to other products. In 1641, however, a Royal ordinance put an end to price-fixing attempts.

Gray asserts that the price Acts were justified for two reasons. First, they were associated with "stinting" or restricting the volume of production; second, they were justified by the uncertainty of marketing. Then, too, he believes that the price Acts supplied a criterion for the application of laws against engrossing, forestalling, and regrating.

Restriction of volume of production or of exports.-- "Stinting" or restricting production took the form of varied and detailed regulations. From an early period in Colonial Virginia and Maryland (1639-1640) stinting regulations existed which allowed so many plants for each household and for each "tithable" or other unit of labor. In addition, stinting was also carried on in connection with monopolistic contracts, price-fixing Acts, and staple improvement involving destruction of inferior grades.

With continuing distress and plant-cutting riots in Maryland, another stinting Act was passed in 1730, which, however, lapsed in 1732. The currency Act of 1733 provided for the enforced destruction of 150 pounds "per taxable," while Maryland and Virginia negotiated over restricting the latest date of planting tobacco in order to curtail production.

Restriction of production was also intrinsic in numerous Acts such as prohibitions against packing ground leaves and suckers, and the handling of second growth crops ("seconds"). "Viewers" were provided in some of the Acts for field visitation to insure destruction of second growths.

Finally, the requirements that a given acreage (two-acre tracts) of food crops be produced, in addition to the exemption of new settlers from taxation for a time provided they refrained from producing tobacco, along with temporary bans against importation of slaves, had the common objective of restricting output.

Standardization and improvement of marketability more successful.--Attempts at improvement of marketability included prohibition of shipments in bulk, attempts to regulate the size and shape of "hogsheads,"[1] regulating the time of completing hogsheads, and official inspections before shipment.

Gray concludes that attempts at standardization and improvement of marketability were more effective than attempts at direct control of price and restriction of output. He believes that it is probable that marketing progress accounts in part for the comparative freedom from protracted depression during the last three or four decades of the Colonial period, but the market surplus problem remained unsolved.[2]

Armed Uprisings in Early America, 1676-1794

During the Colonial period and the early life of the United States economic distress became so great at times that resort was made to less peaceful "disparity" remedies. Besides the peaceful remedial programs outlined by Gray (except for the plant cutting riots), armed violence broke out on at least four separate occasions. The first occasion was in 1676, scarcely seven decades following the settlement of Jamestown. The other three outbreaks took place in the last half of the eighteenth century. These famous agrarian uprisings included Bacon's Rebellion, 1676; the Regulators of Carolina, 1765-1770; Shays'

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[1] A type of barrel or cask used to transport tobacco. The gross weight of the full cask around 1650 was about 475 pounds. See Philip A. Bruce, Economic History of Virginia in the Seventeenth Century (New York, 1895), p. 383.

[2] Another comprehensive study of tobacco crop controls in Virginia and Maryland as well as Carolina during the seventeenth century reveals that "these repeated efforts . . . brought almost no tangible results, despite the fact that if there was ever a time and a crop for which conditions were favorable for controlling production to raise prices, the time was the seventeenth century and the crop was tobacco." See Theodore Saloutos, "Efforts at Crop Control in Seventeenth Century America," Journal of Southern History, XII (February, 1946), p. 66.

Rebellion, 1786; and the Whiskey Rebellion of 1794.

Bacon's Rebellion, 1676.-- The first major outbreak occurred in Virginia. Bacon promised his followers not only to lead them in a fight to subdue the savage Indians, which the Colonial governor had failed to quell adequately, but also to redress their many grievances as well. These grievances included unjust laws, oppressive taxes, the corruption of their representatives, and the favoritism shown by the courts.[1]

With the death of Bacon in 1676, from the effects of exposure and over-exertion, the movement he led and inspired drifted aimlessly until finally it went upon the rocks--its major goals unrealized.[2]

Regulator movement had greatest effect as morale builder outside Carolina.-- The "Regulation" was not a revolution but rather a "peasants' rising," a popular upheaval of economic and political nature. The grievances of the regulators were excessive taxes, dishonest sheriffs, and extortionate fees.[3]

The Regulators desired to form themselves into an association, ". . . for regulating public grievances and abuses of power. . . ."[4] The immediate remedial effect of the Regulation was slight, but it did secure the passage of some bills that were in line with the purposes of the movement. The movement had its greatest effect in other areas such as Pennsylvania and Massachusetts, where the people were on the verge of revolution. In these places the struggle was highlighted by the press.[5]

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[1] Thomas J. Wertenbaker, Torchbearer of the Revolution, the Story of Bacon's Rebellion and Its Leader (Princeton, 1940), p. 93.

[2] Ibid., pp. 177-184.

[3] J. S. Bassett, "The Regulators of North Carolina (1765-1771)", Annual Report of the American Historical Association, 53 Congress, 3 sess., House of Representatives, Mis. Doc. No. 91 (1895), p. 150.

[4] Ibid., p. 165.

[5] Ibid., p. 208.

Abuses were of course perpetrated by the Regulators. Actually, the fault lay in the system of government in force in the colony. With such a strongly centralized government, there was no avenue by which the people could bring about reform.[1]

Shays' Rebellion achieved temporary success.[2]-- The United States at this time was still primarily agricultural. Shays' Rebellion occurred in Massachusetts approximately a century after Bacon's Rebellion in Virginia. The purpose of Shays' "rioters" was to put an end to legal proceedings for enforcing the payment of debts and taxes. The Supreme Court met on September 26, 1786 at Springfield, Massachusetts. The insurgents led by Daniel Shays made a threatening appearance by marching past the courthouse with loaded pieces. They demanded that no indictments should be returned against their leaders, that judgments in civil cases should be suspended, and that the militia should disband. At a conference between the insurgent leaders and the militia officers it was agreed that both parties should disband, which they did. On the same day the justices concluded their insignificant proceedings and adjourned sine die; the court session had been a failure. For months the course of justice was seriously obstructed or stopped altogether. Finally, on January 25, 1787, Shays' insurgents attacked the arsenal at Springfield and were repulsed by the federal artillery. The entire force was dispersed a few days later.

Whiskey Rebellion, 1794.-- With the placing of an excise tax on whiskey near the close of the eighteenth century, the western farmer (in western Pennsylvania) felt that his grain was taxed, while the eastern farmer's grain

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[1] Ibid., p. 192.

[2] J. P. Warren, "The Confederation and the Shays Rebellion," American Historical Review, XI (October, 1905), pp. 42-67.

went free.[1] Since the frontier had no roads on which to transport grain to market, disposal in liquid form was a great advantage. A horse could carry four bushels of rye at a time, but in the form of whiskey he could carry twenty-four.[2] Although Maryland, Virginia, and North Carolina passed resolutions condemning the tax, the Federal government called out the militia to put down the "Whiskey Rebellion," which it did without bloodshed.

Early American Tariffs and the Cotton Holding Trust, 1789-1839

The reliance on tariffs as remedies for agricultural ills since early days is well illustrated beginning with state tariffs. With low commodity prices in 1784-1785, several of the virtually sovereign states adopted protective tariffs to remedy the effects of the superabundance of farm products.[3] The new Federal Government also passed a protective tariff in 1789 and made increases in the tariff in 1790, 1792, and 1794, among other reasons, to aid in protecting agriculture.[4]

At the beginning of the nineteenth century, John Taylor of Caroline County, Virginia, understood and voiced a strong demand for "equality for agriculture." Besides advocating production improvements, Taylor lined up solidly against Hamilton's schemes for "consolidation" through funding, banking, and tariffs. Throughout the administrations of Adams and Jefferson (1797-1808) he kept up his fight and brought it to a grand climax in bitter

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1 Archer Butler Hulbert, United States History (New York, 1929), pp. 192-193.

2 If one calculates a bushel and a half of rye to a gallon of whiskey and considers the value of labor, there was very little profit for the West in distilling. The real profit came in selling whiskey in the East, where "Monongahela rye" was not long in creating a demand that enabled it to bring double what it did in the West. See Leland D. Baldwin, Whiskey Rebels (Pittsburgh, 1939), pp. 25-27.

3 A. B. Genung, "The Overproduction Tradition," Farm Economics (June, 1948), p. 4198.

4 Ibid.

opposition to protective tariffs.[1]

Despite Taylor's efforts, the tariff of 1816 was passed following the collapse of commodity prices. Duties were levied upon 109 articles and the average rate was raised to about 20 percent. In 1818, the 25 percent duty on cotton was extended until 1826 and many additional increases were made in 1824 and 1828.[2]

The cotton situation, however, continued to be troublesome. A different remedy was attempted in 1837-1839 when the banks in the cotton belt organized a cotton-holding trust in order to drive prices up, but the results of this effort were disastrous.[3]

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[1] Avery Craven, "John Taylor and Southern Agriculture," Journal of Southern History, IV (May, 1938), p. 143; A. O. Craven, "Agricultural History of the Ante-Bellum South," American Historical Review, XXXIII (January, 1928). Beard ranks Taylor's, An Inquiry into the Principles and Policy of the Government of the United States (1814) "among the two or three really historic contributions to political science which have been produced in the United States." See Charles A. Beard, Economic Origins of Jeffersonian Democracy (New York, 1915), p. 323.

[2] Genung, op. cit., p. 4199.

[3] Ulrich Bonnell Phillips, "The Overproduction of Cotton and a Possible Remedy," Agricultural History, XIII, No. 2 (April, 1939), p. 123, originally printed in South Atlantic Quarterly, IV (April, 1905), pp. 148-158.

CHAPTER VII

"DISPARITY" REMEDIES, UNITED STATES, 1850-1899

Since the last half of the nineteenth century, the "farmer movement"[1] and the "agricultural revolution"[2] have affected significantly the economy within which various domestic "disparity" remedies have evolved. Eight forces contributed to the revolution in American agriculture; the eighth force is classified as the political organization of the farmers to secure and maintain "an equitable place for agriculture in the economic structure of the nation."[3] There were fundamental economic, political, social, and psychological reasons for the farmers to unite.[4] It was the price and market problem, however, around

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[1] The "farmer movement" is an inclusive term used to designate the many separate movements over time, and as such includes the Granger Movement of the 1860's and 1870's, the Alliance Movement of the 1880's and early 1890's, the Farmers Union and Equity Movements during the first decade of the twentieth century, the Non-Partisan League and Farmer-Laborer Movements around the second decade of the twentieth century, the Farm Bureau and Co-operative Marketing Movements, together with a great number of smaller and less well-known farmers' societies and a number of farmer political uprisings. See Carl C. Taylor, "Farmers' Movements as Psychosocial Phenomena," Publications of the American Sociological Society, XXIII (1929), pp. 153-162.

[2] The term "agricultural revolution" has been used as a classification of different stages of economic and social as well as political change. In the judgment of most writers on the subject, the influences that revolutionized American agriculture were generated around the Civil War period. L. B. Schmidt, who was the first to give a precise definition of the term and to attempt an integration of the various factors involved, placed the determining changes between the Civil War and the first World War with elaborating and accelerating changes during and following the latter struggle. See Earle D. Ross and Robert L. Tontz, "The Term, 'Agricultural Revolution' as Used by Economic Historians," Agricultural History, XXII (January, 1948), p. 34.

[3] Louis B. Schmidt, "Early Agricultural Societies," Palimpsest, XXXI (April, 1950), pp. 118-119.

[4] Ibid., pp. 120-123.

which the farmer movement revolved since around 1858.[1] Low prices of farm products and high prices of non-agricultural products (purchasing power inequalities) have been a major factor in the rise and growth of farm organizations.[2]

Several major remedies to achieve equality for agriculture since 1850 were sponsored within the framework of the farmer movement. In addition there were individual and group plans. Among the "disparity" remedies brought out during the last half of the nineteenth century in the United States were the Cotton Convention Price Relief Schemes of the 1850's; Southern Grange and Alliance Cotton Programs, 1873-1887; Mississippi Valley Cotton Planters Association, 1879-1884; Alliance Sub-Treasury Plan, 1889-1892; Alliance Cotton and Wheat Price Plans, 1890-1891; Southern Cotton Growers Association during the last decade of the nineteenth century; and the Grange-sponsored Lubin Proposition for Farm Justice and Equity, 1894-1897.[3]

Cotton Convention Price Relief Schemes[4]

During the early part of the last half of the nineteenth century local, state, and national conventions were held to devise programs of relief for the cotton planter. The Florida and Macon Conventions were held in 1851, followed by the Montgomery Convention in 1852.

The Florida Plan.-- Cotton planters met at Tallahassee in October, 1851, and adopted a plan of relief known as the "Florida Plan," which received much

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[1] Taylor, op. cit., pp. 153-162.

[2] Schmidt, op. cit., p. 122.

[3] For a brief statement on the responses of Great Britain, Germany, France, Italy, and Denmark to the world decline in wheat prices after 1870 see C. P. Kindleberger, "Group Behavior and International Trade," Journal of Political Economy, LIX (February, 1951), pp. 30-46.

[4] James E. Boyle, Cotton and the New Orleans Cotton Exchange (New York, 1934), pp. 57-59.

discussion for several years after. This plan was also adopted at a much larger meeting in Macon during the same year; however the methods used to secure its passage alienated some of the conservative planters. Anticipating powerful opposition, the backers of the plan had it adopted by a group of thirty in a small session, when the other 170 were absent.

The Florida Plan was designed to handle the problem of overproduction and is considered typical of the dozens of plans presented from 1840 to 1870. Since it was thought that extreme price fluctuations resulted from overproduction, cooperation among planters was recommended to do something to remedy the situation. The plan proposed was a National Cotton Planters Association, made up of respective State Associations chartered in each cotton State. Capital stock was to total $20,000,000; storage was to be provided at every big market; a monopoly of the commission business was to be established; and prices were to be fixed by the growers.

The scheme was killed by the practical planters, because it was believed to be too visionary. A leading planter wrote a searching criticism of the plan in which he concluded that irregular prices are caused by irregular production rather than by overproduction.

Other proposed remedies came from individual planters and editors. Individual proposals included the recommendation for establishing cotton mills in the South in order to save freight to New England and back, direct dealing between planter and spinner to eliminate middleman tolls, raising less cotton, refusing to offer more in any one season than a given number of bales, making it an honorable obligation not to sell for less than a fixed price, and dictating cotton prices by "joint effort." Editorial proposals urged farmers to organize to cooperate in order not to be at the mercy of the merchants and manufacturers.

Southern Grange and Alliance Cotton Programs, 1873-1887[1]

Grange programs.-- Cotton marketing was one of the first problems to receive the attention of the Southern Granger organizations. Cooperative marketing of cotton was attempted in 1873. Cotton growers were dissatisfied with the marketing conditions then existing and evidently believed that they would be able to dictate cotton prices. Acreage restrictions and price-control ideas were clearly evidenced.

The State Granges of Alabama and Mississippi appointed cotton firms to act as state sales agents for their members' cotton, and placed these agents under bond. In Georgia, about 1873, the State Grange arranged with cotton buyers to sell its members' cotton in large lots and by contract. Louisiana and Arkansas also established marketing agencies.

At the seventh annual meeting of the National Grange of the Patrons of Husbandry in 1874, members from nine Southern State Granges presented "A Memorial to the Cotton States" urging cotton acreage reduction and greater production of foodstuffs. Members of the Georgia State Grange resolved to plant only one-third as much cotton as during the previous year and to increase wheat acreage. Most of these ventures were not successful for any length of time.

After 1875, the Texas Grangers continued their efforts. In 1878, the Texas Cooperative Association with an authorized capital of $100,000 was organized. The chief function of the Association was to act as wholesale agent for 129 cooperative stores in addition to handling cotton for a commission of twenty-five cents per bale. The volume of cotton sold for members in 1885

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[1] O. W. Herrmann and Chastina Gardner, Early Developments in Cooperative Cotton Marketing (Circular No. C-101, Washington, 1936), pp. 2-5.

totaled 10,899 bales as compared to 2,169 bales in 1880.

Farmers Alliance programs.-- Promotion of cooperative enterprises among farmers was a prominent feature of the Alliance program. In 1886, the Texas State Alliance advised its members to assemble their cotton in large lots and have sale days in order to have buyers from the cities compete in the purchase of the cotton. This plan worked fairly well for a short time, but it soon failed because the local merchants combined against the farmers, and distant buyers failed to patronize the sales.

Another attempted plan was the organization of a State business exchange for the purpose of receiving the cotton collected at the county warehouses in order to sell it directly to the mills. Although the plan was tried only one year, the exchange claimed that it saved growers around $3,252,000 on 1,300,000 bales handled. Selling directly to the mills was not successful, because many growers customarily mortgaged their cotton in advance to finance the making of the crop. Since the exchange lacked funds to finance the growers, the plan was severely impeded, and its failure was instrumental in causing the failure of the Farmers Alliance.

During 1887, the Texas Farmers Alliance with its sub-alliances united with the Louisiana Farmers Cooperative Union to form the National Farmers Alliance and Cooperative Union of America. Further consolidations were made during the next few years with the National Agricultural Wheel, the Brothers of Freedom, the Knights of Labor, the National Colored Farmers Alliance, and the Farmers Mutual Benefit Association. The consolidated organization was called the National Farmers Alliance and Industrial Union.

Mississippi Valley Cotton Planters Association, 1879-1884[1]

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1 Herrmann and Gardner, op. cit., pp. 6-7.

Two other organizations that attempted to raise the price of cotton during the last half of the nineteenth century included the Mississippi Valley Cotton Planters Association and the Southern Cotton Growers Association.

The Mississippi Valley Cotton Planters Association was organized in 1879 for the purpose of self-protection and the promotion of their interests. It included cotton growers in Mississippi, Tennessee, Arkansas, and Louisiana and was expanded in 1881 to include Texas, Alabama, Georgia, Florida, North Carolina, and South Carolina farmers as well.

In 1881, a national cotton convention was held in Memphis. This meeting, it is believed, was the first South-wide gathering for the purpose of determining methods of improving the economic situation of cotton producers. The association lasted at least three years from the date of its founding.

Alliance Sub-Treasury Plan, 1889-1892

Differences of opinion exist concerning the origin of the "Sub-Treasury" idea.[1] Hicks credits the germ of the Sub-Treasury idea to a newspaper article of November 30, 1889, by a North Carolinian named Harry Skinner. Skinner proposed the Sub-Treasury as a balance for the protective tariff. Since the manufacturer received a "protective" tariff, Skinner felt that the farmer, or at least the Southern farmer, should receive some benefits as well. Accordingly he recommended government assistance in the shape of warehouses wherein the farmer could deposit his produce, and from which he would secure loans of paper money with these deposits as security. Skinner restricted his

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[1] John D. Hicks, "The Sub-Treasury: A Forgotten Plan for the Relief of Agriculture," Mississippi Valley Historical Review XV (December, 1928), and James C. Malin, "The Farmers' Alliance Subtreasury Plan and European Precedents," Mississippi Valley Historical Review, XXXI (September, 1944).

plan to cotton, because he considered grain as perishable.[1]

C. W. Macune, past-president of the Southern Alliance and Editor of its official journal, The National Economist, presented a broadened version of the Skinner scheme at the Farmers Alliance National Convention in St. Louis in December, 1889.[2] The Macune report is as follows:

. . . the system of using certain banks as United States depositories be abolished, . . . establish in every county in each of the States that offers for sale during the one year five hundred thousand dollars worth of farm products; including wheat, corn, oats, barley, rye, rice, tobacco, cotton, wool and sugar, all together; a sub-treasury office, which shall have in connection with it such warehouses or elevators as are necessary for carefully storing and preserving such agricultural products as are offered it for storage, and it should be the duty of such sub-treasury department to receive such agricultural products as are offered for storage and make a careful examination of such products and class same as to quality and give a certificate of the deposit showing the amount and quality, and that United States legal-tender paper money equal to eighty percent of the local current value of the products deposited has been advanced on same on interest at the rate of one percent per annum, on condition that the owner or such other person as he may authorize will redeem the agricultural product within twelve months from date of the certificate or the trustee will sell same at public auction to the highest bidder for the purpose of satisfying the debt. Besides the one percent interest the sub-treasurer should be allowed to charge a trifle for handling and storage, and a reasonable amount for insurance, but the premises necessary for conducting the business should be secured by the various counties donating to the general government the land and the government building the very best modern buildings, fireproof and substantial. With this method in vogue the farmer, when his produce was harvested, would place it in storage where it would be perfectly safe and he would secure four-fifths of its value to supply his pressing necessity for money at one percent per annum. He would negotiate and sell his warehouse or elevator certificates whenever the current price suited him, receiving from the person to whom he sold, only the difference between the price agreed upon and the amount already paid by the sub-treasurer. When, however, these storage certificates reached the hand of the miller or factory, or other consumer, he to get the product would have to return to the sub-treasurer the sum of money advanced, together with the interest on same

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[1] Hicks, op. cit., p. 359.

[2] Hicks, op. cit., pp. 356-359.

and the storage and insurance charges on the product.[1]

Shortly after adjournment of the St. Louis conventions, bills embodying the Sub-Treasury idea were drawn up by Alliance leaders, and at their request were presented to Congress. Petitions and memorials, literally by the hundreds, descended upon Congress, praying for the enactment of the bill into law. The bills, however, never received a favorable endorsement by any congressional committee.[2] The Sub-Treasury without doubt was one of the most controversial "disparity" remedies of its day.[3]

Plan not adopted.-- Critics of the Sub-Treasury plan attacked its chief reform, storage, among other ways by ridicule. A poet, for example, declared that the price of poetry was low and the market crowded. He recommended, therefore, that a literary bureau be established in the warehouse so that eighty percent on unsold poetry might be realized, plus the pleasure of the poet to "set down an' wait for poetry to go up."[4]

Although opposition to the plan was severe, dissension on sectional lines

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[1] Hicks, op. cit., pp. 357-358, originally from National Economist, II, pp. 216-217. The Russian "ukase" (Imperial decree) of 1888 was designed to provide a price support for grain prices not exceeding 60 percent of their value at time of marketing; however, unforseen world economic conditions relieved the pressure of the unwieldy Russian crop of 1888 and as a result the loan plan did not exert any decisive influence. Malin asserts that the "ukase" precedent was more expressly applicable to the American problem; he also points out that "it is strange that attention has not been directed to the source of inspiration admitted by the [alliance] committee and embodied in its report." The source of inspiration, he states, appeared in the London Times of February 16, 1849. See Malin, op. cit., pp. 256-258.

[2] Ibid., pp. 363-364.

[3] The New York Times refers to the "Sub-Treasury" at least thirty times following its introduction as a bill in February, 1890 to August, 1892. The majority of the references are critical. On December 12, 1890, for example, the New York Times described the Sub-Treasury plan as "one of the wildest and most fantastic projects ever seriously proposed by sober man."

[4] Hicks, op. cit., p. 365, as originally reported in the Greensboro Daily Record, September 16, 1891.

between the powerful Southern Alliance which approved of the plan, and the Northern or Northwestern Alliance, which entertained strong doubts about the plan, represented significant deterrents to its adoption. The forced resignation of Macune from the Alliance for aiding the Democrats in 1892, as well as the growing favor for Free-Silver also were unfavorable developments for the Sub-Treasury. The idea of the Sub-Treasury was manifested in part at least at a later date by passage of the Warehouse Act of 1916 and the Federal Reserve Banking Act.[1]

Alliance Cotton and Wheat Price Plans, 1890-1891

Besides the Sub-Treasury idea the Alliance also brought forth other proposals for raising farm prices. Of particular note is the cotton "advance" plan which was to be financed by European capitalists. This plan called for advancing $32 per bale upon a million bales of cotton at a yearly interest of four percent. Under the arrangement farmers were to be allowed to store their cotton and on the warehouse receipts the "advance" arranged for would be paid. The farmer was to have the privilege of selling the cotton at any time within twelve months.[2]

Another significant effort to raise farm prices was represented by the Alliance circulars which were designed to show the farmers that it was to their advantage to hold back the wheat crop for higher prices and to crush the wheat speculator's combine.[3] Alliance support of the wheat plans was not unanimous nor were the plans successful in achieving their goal of convincing farmers to hold their wheat.[4]

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1 Hicks, op. cit., pp. 368-373.

2 New York Times, September 14, 1890, p. 1.

3 New York Times, July 24, 1891, p. 2; September 14, 1891, p. 1; September 15, 1891, p. 5; September 30, 1891, p. 5.

4 New York Times, July 24, 1891, p. 2; July 25, 1891, p. 1; September 15, 1891, p. 5.

Southern Cotton Growers Association

Agitation represented another remedy of the last decade of the nineteenth century for the improvement of cotton prices. This was undertaken by the Southern Cotton Growers Association. As described by Hammond:

> . . . this association . . . has as its aim the raising of cotton prices by a reduction in acreage. Its work is by agitation. Speakers for the association travel throughout the Cotton Belt, urging upon the planters the necessity of planting less cotton and more food crops. The work of the association in recent years has been largely carried on in the region west of the Mississippi River, especially in Texas. There is a considerable difference of opinion among the cotton growers as to whether the association has exerted any influence on cotton production.[1]

Lubin Proposition for Farm Justice and Equity, 1894-1897

In 1894, David Lubin of Sacramento, a member of the California State Grange, proposed a plan to "equalize the benefits of the protective tariff for the American farmer.[2] Lubin believed that our protective system was responsible for the economic difficulties of the farmer, because the producer of exportable agricultural staples received free trade prices for what he sold but for items he bought he was forced to pay prices that were raised by a protective tariff. To remedy this condition, he offered a "proposition" of export disposal of farm surpluses by means of a system of bounties upon exportable agricultural staples.

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[1] M. B. Hammond, The Cotton Industry (New York, 1897), p. 192.

[2] Appendixes A and B; David Lubin, . . . Protection for Agricultural Staples by an Export Bounty [Sacramento, 1896]; "Evils of the Present System of Protection," Senate Document 157, 54 Congress, 2 sess., February 26, 1897; "Equitable Protection," Senate Document 174, 54 Congress, 2 sess., March 2, 1897; "Inequalities in the Existing Tariff," Senate Document 176, 54 Congress, 2 sess., March 2, 1897; "Memorial of David Lubin," Senate Document 112, 55 Congress, 3 sess., February 10, 1899; "Export Bounty on Agricultural Products," Senate Document 131, 55 Congress, 3 sess., February 23, 1899; "Protection for Agricultural Staples," Senate Document 48, 56 Congress, 2 sess., December 17, 1900; "Protection for Agricultural Staples," Senate Document 55, 56 Congress, 2 sess., December 19, 1900.

The standard for farm price justice and equity under the Lubin proposition was to be determined by the amount of money collected for protection to manufactures; this money, it was argued, justly and equitably belonged to the farmers of the nation, who paid for protection and received none.[1] Frequent reference was made to "cost of production" in connection with the discussion of fair prices and equity.[2]

Lubin concluded that the early statesmen--Gallatin, Walker, and Webster--had believed that protection on imports was unfair to agriculture. Furthermore, he cited Hamilton, Clay, and Webster as authority for the feasibility of his plan of equalizing the tariff for agriculture by means of export bounties.[3]

The Lubin proposal was embodied in a bill and introduced in Congress on December 23, 1895 (H. R. 2626) and was discussed in the Hearings before the Ways and Means Committee. The (Johnson) Bill was designed for the protection of agricultural staples and American ships in the foreign trade by authorizing the payment of bounties on exports of agricultural products of the United States, conditioned on their carriage in American or foreign vessels. If the exporter shipped in American vessels, the bounty was to be increased by ten percent over that for foreign vessels.[4]

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1 "Equitable Protection," Senate Document 174, 54 Congress, 2 sess., February 26, 1897, p. 11.

2 Ibid., pp. 13, 16, 22, 30.

3 "Evils of the Present System of Protection," Senate Document 157, 54 Congress, 2 sess., February 26, 1897, pp. 2-4; German attempts to raise sugar prices by means of an export bounty during the last half of the nineteenth century were relatively unsuccessful. See George Martin Peterson, The Problem of the Agricultural Surplus in the United States (Unpublished Ph.D. thesis, University of Minnesota, 1927), p. 190; Saturday Review, LVII (May 3, 1884), p. 575; "The German Crisis," Nation, XXXIX (October 23, 1884), p. 349; Notes and Memoranda, Quarterly Journal of Economics, VI (October, 1891), p. 96.

4 "Evils of the Present System of Protection," Senate Document 157, 54 Congress, 2 sess., February 26, 1897, p. 7; U. S. Congress, House, Congressional Record, 54 Congress, 1 sess. (December 23, 1895), p. 289.

The plan was presented before the National Grange from 1894 through 1897.[1] Besides the persistent efforts of Lubin, it won support from a number of state Granges, at one time the Republican Party of California and the legislatures of California and Washington, and other organizations up to the turn of the century. Lubin also discussed his plan with William McKinley a year before his nomination; however he did not succeed in getting McKinley's support.[2] With some improvement in economic conditions in 1897, the plan was championed less actively. Soon afterwards, Lubin went to Europe and devoted a good deal of his time to promoting the International Institute of Agriculture.[3]

Lubin's interest, however, in domestic agricultural problems continued. During the first world war he submitted a proposal for organizing chambers of agriculture to regulate the equitable distribution of farm products at fair prices for producers and consumers.[4] The export bounty idea originally proposed by Lubin in the 1890's was supported strongly by the National Grange in the form of the export debenture in the 1920's and 1930's. The Lubin proposition like the Peek-Johnson plan of 1922 sought a readjustment in the benefits of the protective tariff for the farmer.[5]

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[1] Appendixes A and B.

[2] "Memorial of David Lubin," Senate Document 112, 55 Congress, 3 sess., February 10, 1899, pp. 1-5.

[3] Appendix A.

[4] "Food Control and Democracy," Senate Document 120, 65 Congress, 1 sess., September 29, 1917, originally in the Atlantic Monthly, August, 1917.

[5] Appendixes A, B, and C.

CHAPTER VIII

"DISPARITY" REMEDIES, UNITED STATES, 1900-1952

Innumerable "disparity" price remedies characterized the first half of the twentieth century.[1] Following the efforts of the American Society of Equity and the National Farmers Union during the first decade were the governmental minimum farm price programs of the first world war. With the depressions of the 1920's and 1930's there emerged renewed interest in "disparity" price remedies. This interest was highlighted officially with the passage of the Agricultural Marketing Act of 1929, the base-period Agricultural Adjustment Act of 1933, and other base-period parity Acts including the present Agricultural Act of 1949.

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[1] Besides the domestic programs there were prominent foreign remedies. Canadian efforts to secure improved grain prices during the early part of the twentieth century were manifested by the "seige of Ottawa" in 1920 which witnessed the farmers dramatically presenting their case by taking possession of the House of Commons chamber which was in session. In addition to pooling to secure stable prices, publicly supported minimum prices were tried. In 1936, the Canadian Pools felt that the government's refusal to accept deliveries unless the daily closing price at Winnipeg dropped below ninety cents was a step backward in their progress to "economic equality" and controlled marketing. See Harald S. Patton, Grain Growers' Cooperation in Western Canada (Cambridge, Massachusetts, 1928), and Hugh Boyd, New Breaking (Toronto, 1938). Other than the Canadian grain price improvement efforts, coffee, sisal, and rubber controls were attempted for price improvement. Cf. Peterson, op. cit., pp. 199-202; William T. Chantland, "Valorization of Coffee," Ms. 63 Congress, 1 sess., Senate Document 36 (Washington, 1913); South American Journal (February 17, 1923), p. 171; Harry N. Whitford, "The Crude Rubber Supply: An International Problem," Economic Review (July, 1924); "The Practical Outcome of the 'Stevenson Plan' for Restricting the Production of Crude Rubber," Economic World (April, 1924); A. Phillipson, The Rubber Position and Government Control (London, 1924).

Equity and Farmers Union Price Programs

Equity price goals through production control and cooperatives.--The American Society of Equity founded in Indiana in 1902, sponsored the idea of a gigantic holding movement to enable farmers to set prices. "Price equality" was a fundamental goal of the Equity (Fig. 2). J. A. Everitt, who claimed to be the founder of the Equity, was interested in holding down the "visible supply," for it was this, he held, which, along with demand, tended to fix the price.[1] Marketing policies of the Equity were supposed to be shaped through the official publication, Up-to-Date Farming and Gardening, by Everitt aided by the national board of directors. The official publication was to serve also as a clearinghouse for agricultural information. A crop-reporting service was an integral part of the marketing program. The demands of the nation in addition to information on supply from all members were to be considered in setting an "equitable" price. The set prices were spoken of also as "minimum prices."[2]

During the early years, price-setting activities of Equity revolved around wheat and tobacco. In 1903, Everitt distributed the first of a series of "Dollar Wheat Bulletins" urging farmers to hold their wheat for a dollar a bushel. The following year he asked them to demand $1.20.[3] Similar holding efforts occurred up to and including 1907; however, the 1907 program was regarded

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[1] Theodore Saloutos and John D. Hicks, Agricultural Discontent in the Middle West 1900-1939 (Madison, 1951), p. 114. Everitt believed that farmers should be supreme. If, however, farmers sought something less than supremacy, that is, "mere parity" with the rest of the people he thought they should be encouraged. See James A. Everitt, The Third Power, third edition (Indianapolis, 1905), pp. 6, 9, 23-24; fourth edition, p. vii. The term "equity" was considered synonymous with justice, equality, parity, fairness, righteousness, and honesty. See Saloutos and Hicks, op. cit., p. 117.

[2] Saloutos and Hicks, op. cit., pp. 116-117.

[3] Ibid., p. 118.

The emblem of the American Society of Equity is symbolical of PRICE, being on an equality with PRODUCTION and CONSUMPTION.

Figure 2. The Emblem of the American Society of Equity. From: J. A. Everitt, The Third Power (Indianapolis, 1903), p. 234.

as a failure.[1]

Although Everitt had considerable evidence in the early years to show that his recommendations had been making good progress in the wheat-growing areas, opposition to the production-control and price-fixing principle as well as to Everitt who was accused among other things of mishandling funds, led to his departure from the presidency of the Equity in 1907. Plans for controlling production were gradually relaxed, and greater stress was placed on cooperative marketing and buying.[2]

The last as well as the most conspicuous effort of the Equity's production-control and price-fixing policies was carried out by the tobacco producers of Kentucky and Tennessee against the American Tobacco Company, the"tobacco trust."[3] Difficulties arose in getting all farmers to comply with the holding plan. Accordingly some of the tobacco growers decided to employ force to achieve conformity. The "night riders" used the whip or even the rifle on independent farmers. One farmer found a grave dug in the midst of his plant beds. The estimated acreage fell to 18 percent of normal in the Burley country in 1908. Sharp reductions were effected also in the dark-tobacco country. Even though the largest tobacco transaction in history was consumated in 1908 settling the "strike," the Equity movement was on the decline. Dissatisfaction had developed over the prices which the farmers received. Then, too, the benefits of production-control were disputed by many growers who had taken part in the 1908 "farm strike."[4]

Farmers Union cooperatives and minimum price goals.-- The Farmers Educational

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[1] Ibid., p. 135.
[2] Ibid., pp. 120-121.
[3] Ibid., p. 121.
[4] Ibid., pp. 121-126.

and Cooperative Union, commonly called the Farmers Union, was founded in Texas in 1902.[1] The Union was a contemporary of the Equity. The Union sought such expressed objectives as placing farmers "on an equilibrium" with other groups of society; that is, "economic justice," and it favored measures that would permit farmers to cease "hewing wood and carrying water for their exploiters as they had been doing for centuries."[2] Besides being an effective means for expressing protests of farmers, the Union made some progress with cooperative ventures, particularly in cotton marketing. Its efforts to establish cotton warehouses and to control cotton prices by voluntary acreage limitations were less successful.[3] Summaries of the national conventions of the Farmers Union show that committees regularly fixed a recommended minimum price for cotton and grain beginning in 1906.[4] Cooperative marketing and purchasing, however, rather than "cost of production" and fixed prices apparently received greater emphasis beginning in 1906.[5]

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[1] Charles S. Barrett, The Mission, History, and Times of the Farmers Union (Nashville, 1909), p. 103. For a detailed discussion of the economic activities of the Farmers Union in Texas see Robert Lee Hunt, A History of Farmer Movements in the Southwest, 1873-1925 (College Station, Texas? n.d.).

[2] Saloutos and Hicks, op. cit., pp. 231-232.

[3] Ibid., p. 221.

[4] Commodore B. Fisher, The Farmers' Union (Lexington, Studies in Economics and Sociology, No. 2, 1920), pp. 19-32.

[5] Saloutos and Hicks, op. cit., p. 236.

Minimum Farm Prices, World War I[1]

In the early part of 1917, the price ratio of hogs to corn was unfavorable for a continued high level of pork production. In an effort to remedy the situation the U. S. Food Administration under the direction of Herbert Hoover announced a price-support goal of $15.50 per hundredweight for the average of packers droves on the Chicago market. This announcement, however, "is not a guarantee backed by money. It is not a promise by the packers. It is a statement of the intentions and policy of the Food Administration which means to do justice to the farmer."[2]

Hoover entered into voluntary agreements with the packers by which they undertook to maintain the minimum price set by the Food Administration. The price level desired for farmers was at a level (ratio) equal to thirteen times the average cost per bushel of corn fed to hogs.[3] This minimum price support of $15.50 worked satisfactorily for nearly a year, because the market price of

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[1] Walter T. Borg, "Food Administration Experience With Hogs," Journal of Farm Economics, XXV (May, 1943), pp. 444-457. Evidence of governmental price floors for U. S. cotton also is revealed by a secret price-fixing compact between representatives of the American and British governments which specified that the price of cotton should not go below ten cents per pound after the British declared cotton as contraband in August, 1915. See Manufacturers' Record, LXXIX (February 17, 1921), pp. 79-80 and (February 24, 1921), pp. 77-78. Egypt instituted cotton price supports in 1914 by direct purchase from producers to protect the industry and to save the cotton farmers from bankruptcy. This was followed by other price-raising efforts during the first quarter of the twentieth century. In 1925, price "parity" with American cotton (a premium level exceeding American cotton by 75 percent) was sought. See U. S. Department of Agriculture, Bureau of Agricultural Economics, Foreign Crops and Markets, XII, No. 12 (March 22, 1926), pp. 370-376.

[2] Announcement of the Food Administration as quoted by Borg, op. cit., pp. 447-448.

[3] The commission of seven swine men appointed by the Food Administration to determine the cost of producing hogs adopted practically without change the "ratio method" of price determination advocated in Wallaces' Farmer during the summer and fall of 1917. In 1920, Wallace stated that the ratio idea, in its simplest form, was grasped by the hog producer of 1870. See Henry A. Wallace, Agricultural Prices (Des Moines, 1920), p. 30.

hogs generally exceeded the support level.

Support prices fail to support.-- When the time arrived for marketing the 1918 spring pig crop, it became evident that the 13 to 1 ratio would result in a very high price floor. A support price at the 13 to 1 ratio would have resulted in $22.36 at Chicago. By restricting the corn prices to average farm prices of eight states for the five months of May to September, 1918, a support price of $18.50 would have resulted from using the 13 to 1 ratio. Primarily as a result of Hoover's insistence, a support price of $18.00 per hundred at Chicago was decided upon.

Packers, however, did not maintain the minimum price of $18.00 set for October, 1918, because of price declines. The 13 to 1 formula was accordingly abandoned and it was agreed to maintain hog prices at the highest possible level consistent with the support which could be given by the Food Administration through its control of export orders.

Following the cessation of hostilities on November 11, 1918, the Food Administration's control over hog prices expired on March 5, 1919. Meanwhile, Hoover tried unsuccessfully to keep prices up by foreign disposal. After the controls ended, prices rose steadily to reach a high of $22.70 at Chicago on July 31, 1919.

Borg credits some good to price supports.-- In appraising the policy of the Food Administration, Borg concludes as follows:

> . . . credit must be given for contributing incentive to expanding production, which was what was demanded by the Allies and the military experts. However, the Food Administration did not fulfill its obligation to support prices for the 1918 spring pig crop at thirteen times the price of corn, which had been promised in the statement of November 3, 1917. How the sharp decline in hog prices during October 1918 could have been prevented is open to question. Undoubtedly the administration contributed to a stabilization of prices in the few months following the armistice, in the interim between the cessation of purchases by the Allies and the resumption of a large volume of exports to a reopened European market.[1]

[1] Borg, op. cit., pp. 456-457.

Wheat price floors legally specified.-- Unlike the situation for minimum hog prices, specific legislation was provided for guaranteeing a price for wheat during the first World War under the Food Control Act of August 10, 1917.[1] The 1918 price for wheat was not to be less than $2.00 a bushel at Chicago. This floor price was later increased, first to $2.20 and then to $2.26 a bushel. In September, 1918, the minimum price was extended to the 1919 crop; on May 31, 1920, the price floor was discontinued.[2]

Farmers Union and Equity favored minimum farm prices.-- In 1917, the Farmers Union recommended a minimum price for wheat for "justice" to the wheat grower. The minimum price for the 1917 wheat crop should "not be less than $2.75 per bushel at Chicago . . . and other great concentrating wheat markets of the country."[3] This exceeded the original government support-price by $.75 a bushel. The Equity organizations also favored guaranteed "fair" wheat prices during the first World War.[4]

Seriousness of Outlook for 1920

Concern over future price declines which might affect producers adversely because of smaller declines in products sold as compared to items bought was felt in 1919 at the world cotton conference which was held at New Orleans.[5]

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[1] The Food Control Act, Public No. 41, United States Statutes at Large, 65 Congress, 1 sess., XL (August 10, 1917), p. 281.

[2] Frank M. Surface, The Stabilization of the Price of Wheat During the War and its Effects Upon the Returns to the Producer (Washington, 1925).

[3] Minutes of the Annual Meetings of the Farmers Educational and Cooperative Union of America as reported by Mary G. Lacy, Annie M. Hannay, and Emily L. Day, Price Fixing by Governments 424 B.C. - 1926 A.D., Agricultural Economics Bibliography No. 18 (Washington, 1926), pp. 4-5.

[4] H. E. Gaston, The Non-Partisan League (New York, 1920), p. 198.

[5] That minimum farm prices were recommended following the 1919 conference is revealed by the U. S. Congress, Senate, Agricultural Inquiry Hearing before the Joint Commission of Agricultural Inquiry, 67 Congress, 1 sess., Senate Concurrent Resolution 4, III, August 22, 1921 (Washington, 1921), pp. 541-550, in which it was stated, "Based upon cost of production, the world's supply and needs . . . we ought to get 40 cents a pound for cotton."

Representatives from thirteen different countries were present. Prior to the conference rumors were current that some system of deflation in prices would be inaugurated to lower the cost of living. As a result the officials of the American Cotton Association were seriously considering a southwide cotton acreage reduction campaign for 1920 to maintain cotton prices.[1]

National farm conference proposed.-- Since the acreage reduction proposal met with divided opinion, J. S. Wannamaker, President of the American Cotton Association, wrote to President Wilson calling his attention, "to the seriousness of conditions . . . confronting the agricultural interests of America . . ."[2] Meanwhile, he indicated that the American Cotton Association had joined in a call with twenty-two of the largest agricultural associations from various sections of the Nation, to the farmers of America for a conference at Washington on October 12 and 13, 1920, for the purpose of taking definite action concerning the adverse conditions. He then stated: "We are especially anxious to hold a conference with you and with the members of your Cabinet . . . for the purpose of discussing . . . conditions . . . threatening the agricultural life of America."[3] In reply, President Wilson assured Wannamaker of an export market: ". . . the Congress in its wisdom had created the War Finance Corporation for the purpose of exporting American products; . . . it was going to function for one year after the ratification of peace."[4]

The recommendation to reduce the 1920 cotton acreage was accordingly withdrawn and one of the largest acreages on record up to that time was planted.[5] The following March (1920) Secretary of the Treasury, Houston, wrote Wannamaker

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1 Ibid., p. 547.
2 Ibid., pp. 548-550.
3 Ibid., p. 549.
4 Ibid., p. 550.
5 Ibid.

as follows: "The policy of the Government is opposed to exportation of these products, as it would result in maintaining present high prices here, prices that would subsidize the producer . . ."[1]

With the sudden halt of making loans to Europe early in 1920, exportable surpluses of crops piled up with disastrous price results.

Baruch recommends par for the producer.-- At this time (1920) Bernard M. Baruch in a letter to the Kansas State Board of Agriculture on the farm situation concluded that the producer must be on a "par" with the buyer.[2] The "theory" of Baruch's recommendations was that "in the marketing of his products the producer must be placed on a footing of equal opportunity with the buyer."[3] To accomplish "par" or "equal opportunity" for the producer Baruch suggested six points. First, adequate, modern storage facilities under public supervision. Second, certification and grading of products by licensed graders and weighers. Third, certificates used by graders and weighers would be used as the basis of sales and purchases, as well as the basis of financing. Fourth, a fair share of the credits of banking and financial institutions of the country would be reserved during certain periods for crop movement. Fifth, all market information would be collected and made available through trained experts by the Agricultural Department. Sixth, a new source of credit, the private investor, would be reached by the establishment of financing corporations to

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[1] Ibid., p. 551.

[2] Bernard M. Baruch, "Putting Farming on a Modern Business Basis," Twenty-Second Biennial Report of the Kansas State Board of Agriculture (Topeka, 1920), p. 22. The term "par" apparently has a long record as a synonym of parity and equality. In the eighteenth century, for example, it was stated that the effect of the export bounty in England was not to lower the price of corn abroad in favor of foreign markets, but that it was a necessary expedient to enable corn to be carried at a "par" of price with Poland, Denmark, Hamburg, Africa, Sicily, and even the colonies. See "Export Bounty on Agricultural Products," Senate Document 131, 55 Congress, 3 sess., February 23, 1899, pp.4-5.

[3] Baruch, op. cit., p. 22.

make loans on warehouse receipts.[1]

Price Declines Stimulate Congressional Inquiry in 1921

In 1921, a joint congressional commission of Agricultural Inquiry was created to investigate the agricultural situation and to issue a report containing legislative recommendations for remedying existing conditions. The Commission was composed of three senators from the majority party and two senators from the minority party. The same membership conditions applied to five members from the House of Representatives. Senate members were appointed by the president of the Senate; the Representatives were selected by the Speaker of the House. Representative Sydney Anderson of Minnesota was elected Chairman of the Commission. Senate members of the majority party (Republican) included Lenroot of Wisconsin, Capper of Kansas, and McNary of Oregon. Robinson of Arkansas and Harrison of Mississippi represented the minority party from the Senate. Besides Anderson of Minnesota, the House Republicans were represented by Mills of New York and Funk of Illinois. Sumners of Texas and Ten Eyck of New York represented the House Democrats. Clyde L. King and Irving S. Paull, Economist and Secretary respectively, completed the membership of the Commission.[2] The hearings were held during the period from July 11 through November 16, 1921 and comprised three volumes totaling 2,366 pages.

Organized agriculture urges permanent remedy for long time disparity.--
C. S. Barrett, President of the National Farmers Union, represented organized agriculture as President of the National Board of Farm Organizations. Barrett stated that the farmers who besought Congress to adopt this resolution to

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[1] Ibid., pp. 26-27.

[2] U. S. Congress, Senate, Agricultural Inquiry Hearing before the Joint Commission of Agricultural Inquiry, 67 Congress, 1 sess., Senate Concurrent Resolution 4, I, August 22, 1921 (Washington, 1921), p. 2

create the commission had in view:

> . . . a possible permanent remedy for the malady from which agriculture is suffering. We believe that the evils from which our industry is suffering are permanent. They are not spasmodic. The troubles of the past two years are simply aggravations of a continuing malady.[1]

Charles A. Lyman, Secretary of the National Board of Farm Organizations, followed Barrett in the hearing. Lyman recognized the necessity of a permanent remedy for agriculture's ills also. In discussing the agricultural crisis he emphasized the lack of farm purchasing power of prices of farm products:

> . . . the agricultural situation today is that for the principal farm commodities the farmer is receiving prewar prices, or less than prewar prices, and with the difference from the condition he was in before the war that now his ability to sell, to find suitable markets, to secure credit, to borrow at reasonable rates of interest, to buy his farm requirements at fairly reasonable prices, and to pay his increased taxes, is most seriously impaired. On top of this is the fact that suddenly, without warning, a policy of deflation of the currency, a restriction of credit, was instituted by agencies created by the Government, and for which the Congress of the United States is responsible in the last analysis.[2]

Farm Bureau undertakes inquiry anew.-- Gray Silver, Washington representative of the American Farm Bureau Federation, reported that following receipt of the letter from the joint commission of June 25, 1921 the Farm Bureau sent out to all the Farm Bureaus of the United States instructions for conducting a referendum asking that they hold meetings to consider the agricultural problem. As a result of Bureau procedure Silver stated that their recommendations would need to be presented on the installment plan. Meanwhile he presented the report from Ohio which indicated that a minus or nominal labor income had been received by several groups of farmers in different sections of Ohio and that the purchasing power of farm products had declined during the depression inasmuch as farm product prices had declined 52 percent whereas articles farmers

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[1] Ibid., pp. 4-5.

[2] Ibid., p. 7.

buy had fallen only 23 percent.[1]

Equality of tariff protection for fair prices.-- C. J. Fawcett, director of wool marketing of the American Farm Bureau Federation and assistant general manager of the National Wool Warehouse and Storage Company, suggested several ways in which woolgrowers might be helped. One suggestion called for a national law permitting cooperative marketing of agricultural products. Another suggestion recommended a just tariff and protection for the woolgrower against foreign competition, equal to that accorded the manufacturer of the commodity. He indicated that there had been various tariffs in the past covering the wool schedule but that protection to a significant degree had never been attained.[2]

Milo D. Campbell, president of the National Milk Producers' Federation and director of the National Board of Farm Organizations, asserted that discrimination against the farmer started with the passage of the Sherman antitrust law in 1880. While it was not intentional that it should be discriminatory against farmers, it operated in this manner, he stated, because the farmers could not have any medium whatever of relief, nor any method by which they could cooperate, while it gave to every other industry ample means of cooperation through the corporation.[3]

T. C. Atkeson, Washington representative of the National Grange, stated that the Grange was in large measure a product of the conditions of the Civil War, having been conceived and organized in 1866 and 1867, when the country was confronted with more or less similar conditions to those which existed in the 1920's. He indicated in a survey of remedies for ailing agriculture, that the

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1 Ibid., p. 257.

2 U. S. Congress, Senate, Agricultural Inquiry, Hearing before the Joint Commission of Agricultural Inquiry, 67 Congress, 1 sess., Senate Concurrent Resolution 4, III, August 22, 1921 (Washington, 1921), pp. 182-212.

3 Ibid., pp. 309-310.

tariff could not be overlooked. While the United States had become a creditor nation, yet so long as the policy of protection prevailed, American agriculture was going to demand a fair share of protection. He indicated that at the very root of our agricultural troubles was the transportation question. Furthermore he asserted that any system of pooling, storing, warehousing, or financing which caused crops to be held from market until another crop was produced would be a detriment to agriculture and to general prosperity.[1] Atkeson then submitted the legislative program of the Grange, which consisted of twenty-three points. Points seventeen and eighteen made recommendations concerning equalization of the tariff and fair prices:

> 17. The Grange has long declared for the principles of exact justice to agriculture in all matters of tariff legislation and now demands that the product of the farms be given tariff protection equal to the protection given products of other industry. 18. We welcome and urge the widest study of production costs of farm products as the surest and quickest method of bringing to the American farmer the economic return that his labor, investment, and ability entitle him to. We ask the appointment by the Secretary of Agriculture of a commission to ascertain the cost of production of stable[2] farm crops in different sections of the United States with a view of establishing a basis for a fair price of such products to the producer, and that the widest publicity be given the findings. . . .[3]

Carl Vrooman, Former Assistant Secretary of Agriculture, suggested disposing of surplus agricultural products abroad and recommended selling debentures to finance such disposal.[4]

Federal Reserve blamed for farm depression.-- John S. Williams, former comptroller of the currency and member of the Federal Reserve Board, charged that the Federal Reserve Board was responsible in part for the depression in

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[1] *Ibid.*, pp. 332-342.

[2] As reported.

[3] *Ibid.*, p. 346.

[4] U. S. Congress, Senate, *Agricultural Inquiry, Hearing before the Joint Commission of Agricultural Inquiry*, 67 Congress, 1 sess., Senate Concurrent Resolution 4, I, August 22, 1921 (Washington, 1921), pp. 437-464.

agriculture.[1] W. P. G. Harding, Governor of the Federal Reserve Board, who contended that his viewpoints represented the majority opinion of the Board, stated that there was no need for amending the Federal Reserve Act to meet an emergency "which has practically passed."[2] B. S. Strong, Governor of the Federal Reserve Bank of New York, in lengthy discussion also disagreed with Williams' charges.[3]

Other proposals.-- Besides the proposed remedies of the previous individuals a host of other agricultural "disparity" remedies were offered. Of particular note among the latter were a foreign trade bureau, extended credit, reduced freight rates, a correction of unfavorable foreign exchange rates, a pooling selling agency to give the farmer influence in the market comparable to the purchasing power of grain handling industries, debentures issued on the farmers' grain, and a clarification of laws permitting combination for collective marketing.[4]

Report of the Congressional Inquiry of 1921

The Joint Congressional Commission of Agricultural Inquiry in 1921 published a voluminous 1,351 page report on the agricultural problem. The report was divided into four major subjects: (1) the agricultural crisis and its causes; (2) credit; (3) transportation; and (4) marketing and distribution.[5]

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1 Ibid., II, pp. 3-231.

2 Ibid., p. 446.

3 Ibid., pp. 447-814.

4 U. S. Congress, Senate, Agricultural Inquiry, Hearing before the Joint Commission of Agricultural Inquiry, 67 Congress, 1 sess., Senate Concurrent Resolution 4, I, August 22, 1921 (Washington, 1921), pp. 71-203.

5 U. S. Congress, House, Report of the Joint Commission of Agricultural Inquiry, 67 Congress, 1 sess., House Report No. 408, Part I, October 15, 1921 (Washington, 1921); Part II, October 14, 1921 (Washington, 1922); Part III, October 15, 1921 (Washington, 1922); Part IV, October 15, 1921 (Washington, 1922).

Although hearings were held to obtain background for the statistical data upon which the conclusions of the Commission primarily rested, the method pursued by the Commission in securing information was for the most part through contacts with various Government and private agencies. Organizations contacted included the Department of Agriculture, the Department of Commerce, the Interstate Commerce Commission, the Federal Trade Commission, the United States Chamber of Commerce, the American Farm Bureau Federation, the National Board of Farm Organizations, the Federal Reserve Board, and the various Federal Reserve banks, as well as private corporations and individuals.[1]

Better farm prices through orderly production, marketing, and distribution.--The Commission made a host of recommendations to help agriculture.[2] On prices the Commission favored a readjustment so that prices received for commodities would represent a fair division of the economic rewards of industry, risk, management, and investment of capital.[3] It was pointed out that these conditions could not be brought about by "legislative formulas" but must be the result for the most part of the "interplay of economic forces."[4] At the same time the Commission proposed four standards to measure the well-being of the farmer. They were the purchasing power of the farmer's dollar; the absolute prices of farm products as compared with the absolute prices of other groups of commodities; the quantity production of agriculture as compared with the quantity production of other industries; the income or reward for capital invested and labor employed in the agricultural industry as compared with the income or reward for capital invested or labor employed in other industries.[5]

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[1] Ibid., Part I. p. 10.

[2] Ibid., Part I, pp. 10-11; Part II, pp. 9-11; Part III, pp. 3-6; Part IV, pp. 9-13.

[3] Ibid., Part I, p. 11.

[4] Ibid., pp. 10-11.

[5] Ibid., p. 13.

Even though the Commission warned against legislative formulas for price readjustment, it presumably felt that price readjustment was an essential goal to be attained by "orderly development of production, marketing, and distribution of farm products." The readjusted prices were to be at such levels as to represent a fair degree of equality (parity) of purchasing power between agricultural products and other commodities and economic rewards for investments and labor in agriculture equivalent to the property and labor returns in other industries. Agriculture, it was held, could not prosper on the basis of a price level of its products substantially below the price level of other commodities.[1]

This inclusive report based upon a composite group in and out of government revealed that the majority opinion believed that improved farm prices were needed but at the same time did not condone arbitrary price goals.

Other Indefinitive Price Improvement Plans

Several plans were offered in the early 1920's following the Joint Commission of Agricultural Inquiry report to promote agriculture. One remedy - the Baruch marketing plan of 1921 - was referred to by one writer as the "Magna Charta" program for the farm movement.[2] This remedy was drawn up by Bernard M. Baruch about 1921 at the request of the Kansas State Board of Agriculture. Baruch felt that his idea of orderly marketing of farm products meant better returns to the producer but not necessarily increased prices to the consumer. Such results were believed possible by eliminating the enormous spread between what the farmer got and what the consumer paid. Baruch emphasized,

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1 Ibid., p. 24.

2 Theodore Knappen, "Looking at the Farmers' Side," The World's Work, (March, 1922), p. 474. Baruch played a significant role in the farm relief movement. Cf. George N. Peek, with Samuel Crowther, Why Quit Our Own (New York, 1936), pp. 75-91; Hugh S. Johnson, The Blue Eagle From Egg to Earth (Garden City, New York, 1935), p. 105.

however, that even though the marketing of farm products was modernized to a greater extent than any other industry, agriculture or any other business could not have the prosperity it is entitled to until our foreign markets were fully restored. Adequate storage facilities to carry the annual peak load of production and distribution represented a must, according to Baruch, regardless of whether the farmers formed cooperative marketing agencies or not. Private or state storage facilities rather than federal were recommended.

In 1921, it was asserted in the Northwest that the urgent farm need was elevation and stabilization of prices of agricultural products and not more credit. In response to this demand, a number of crudely constructed bills were introduced, some proposing arbitrary government price guarantees, others the creation of a government corporation to buy and sell agricultural products, and particularly to promote their export.[1]

National Agricultural Conference of 1922

In December, 1921, a national agricultural conference was called for January, 1922, by Secretary of Agriculture H. C. Wallace at the "formal" request of President Harding. The five day conference which got underway on January 23 met to consider present and future agricultural problems of the American people.[2] A total of 439 people were invited to the conference. Of this number, 300 were farmers, 75 were farm officials, and 64 represented farm businesses. Invitations were accepted by 336. Representative Sydney Anderson, Chairman of the Congressional Joint Commission of Agricultural Inquiry, acted as permanent Chairman of the conference upon request of Secretary Wallace.[3]

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[1] Alice M. Christensen, "Agricultural Pressure and Governmental Response," Agricultural History, XI (January, 1937), p. 36.

[2] U. S. Congress, House, Report of the National Agricultural Conference, Document No. 195, 67 Congress, 2 sess. (Washington, 1922), pp. 3-5.

[3] Ibid., p. 5.

Low farm purchasing power recognized.-- Following President Harding's talk at the conference, Secretary Wallace spoke on the purpose of the conference. Wallace emphasized the difficulties resulting from "high production costs, followed by ridiculously low prices . . ."[1]

Chairman Anderson also pointed out that ". . . the value of the farmer's crop is measured by what farm crops will buy of other commodities, that is, by the purchasing power of the farmer's dollar."[2]

There must be an increase in the price of the farmer's product entirely independent of a reduction in freight rates if the purchasing power of the farmer is to be restored to anything approaching the prewar level.[3]

To accomplish the restoration of prices, Anderson stated:

> . . . I am sure there is no governmental panacea, that there is no magic word of legislation and no magic wand of administrative action that can bring about . . . results. I am persuaded that they can be only accomplished through a more efficient organization of the producers.[4]

Anderson emphasized that the "Government must remove the obstacles which retard, if they do not prevent, combinations of farmers for the purposes of sorting, grading, and packing or processing their products."[5]

President Harding fans old controversy.-- On the very first day of the national conference an unmistakable controversy was revealed between the advocates of definite price goals and those favoring improved but indefinitive price goals. The bi-partisan farm bloc which was organized in the Senate on May 9, 1921, under the encouragement of the American Farm Bureau Federation,

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[1] Ibid., p. 13.
[2] Ibid., pp. 19-20.
[3] Ibid., p. 23.
[4] Ibid., p. 24.
[5] Ibid., p. 26.

favored definite price goals.[1] The significance of its activities in this regard was pointedly recognized by President Harding in his address opening the conference. The President was moved to depart from his prepared text and extemporaneously add three words which took away the interest of the conference for the moment from the specific recommendations for farm relief:

The whole country . . . has an acute concern with the conditions and the problems which you are met to consider. It is truly a national interest and not entitled to be regarded as primarily the concern of either a class or a section--, Here the President looked up from his manuscript, -- or a bloc, he added, raising his voice.[2]

As a means of price improvement the President recommended an extension of co-operative marketing associations and measures to protect the farmer and consumer from violent price fluctuations.[3]

On the second day of the conference dissatisfied elements began to muster forces to defeat the Administration's program for declarations on agricultural policy through committees and to substitute recommendations from the floor. Open resentment was expressed on the floor, in committees, and elsewhere at

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[1] The Congressional "farm bloc" believed that the prosperity of agriculture was fundamental to the prosperity of the nation and hence it was necessary to raise farming to a status of "equality" with industry. See Arthur Capper, "The Agricultural Bloc," Outlook, CXXX (February, 1922), p. 176.

[2] New York Times, January 24, 1922, p. 1. For the official address see the Report of the National Agricultural Conference, op. cit., pp. 6-13. The New York Times reported editorially on December 20, 1921, p. 16, prior to the conference that "the country is getting the legislation favored by James R. Howard, (President of the Farm Bureau) who is showing himself a 'bigger' man than the President." An earlier clash between the President and the farm bloc occurred in 1921. The Administration was defeated in a move for adjournment of the Senate which would have meant delay on pending agricultural legislation. President Harding and Gray Silver, Washington representative of the Federation, then met, and it was agreed that the farm bloc would consent to adjournment of the Senate after certain agricultural measures were passed. Before adjournment, Congress enacted the Packer and Stockyards Act, the Futures Trading Act, the Agricultural Credits Act of 1921 extending the powers of the War Finance Corporation, and amendments to the Federal Farm Loan Act designed to facilitate its operations. See Alice M. Christensen, op. cit., p. 35.

[3] U. S. Congress, House, Report of the National Agricultural Conference, op. cit., pp. 10-11.

President Harding's "whack at the agriclutural bloc."[1] Charges were made that the Administration was attempting to use the conference as a lever against the agricultural bloc, aiming to take the initiative in promotion of farm legislation and club the farm group in Congress into submission to the recommendations made by the "hand-picked" committees in the conference.[2]

On the third day of the national conference threats of "rump conventions" to frame resolutions of an insurgent and pro-bloc type were made in committee meetings by dissatisfied elements who opposed the proposals of the leaders of the convention.[3] At the time it was decided that the decision to hold independent meetings depended upon the action undertaken the following day on proposals for reviving government functions similar to those of the United States Grain Corporation that had the power to fix minimum prices and take over the farmers' surplus.[4]

Differences over price-fixing.-- The main division in the conference was over proposals for government "price-fixing" and revival of the Grain Corporation. Intimations came from the Administration that it was opposed to government price control and held instead that the functions of the War Finance Corporation were sufficient to give financial assistance to farmers.[5] Ex-Secretary of Agriculture Meredith, one of Iowa's delegates, submitted a resolution in committee calling for the establishment of a government price-fixing agency in fields covering food and clothing.[6] At the same time the Farmers' National Council, which had not been invited to the national agricultural

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1 New York Times, January 25, 1922, p. 8.
2 Ibid.
3 New York Times, January 26, 1922, p. 1.
4 Ibid.
5 Ibid.
6 Ibid.

conference, called a conference of farmers and representative farm organizations "to formulate a program of immediate legislation and measures necessary to relieve agriculture," and declared that the national farm conference "has proven a complete and unqualified failure. . ."[1]

The committee on marketing received a proposal recommending governmentally supported minimum prices of farm products, which proposal the committee did not endorse. The proposal, in effect, suggested a plan very similar to the governmentally guaranteed minimum prices plan for wheat in World War I. Proponents of the minimum prices plan, however, were determined to get conference approval of their proposal despite their failure in the committee. Accordingly, J. S. Wannamaker, President of the American Cotton Association and a delegate from South Carolina, brought the proposal before the conference itself. The conference also rejected the proposal.

The objective of definite price goals, however, was not abandoned. Instead, the idea received official sanction, although in less specific terms than the minimum prices plan, in two conference expressions embodied in the official report of the Committee on Marketing of Farm Products. The first pronouncement entitled "Price Fixing in the Marketing System" stated:

> The committee feels in respect to the naming of selling prices by the joint action of members through cooperative associations, that Congress should clarify present Federal statutes by an affirmative declaration that such action by cooperative associations is not included in the prohibitions against restraint of trade.[2]

The second pronouncement entitled "Price Adjustment" indicated: ". . . whereas the prices of agricultural products are far below the cost of production,

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[1] Ibid., p. 1 and 3.

[2] U. S. Congress, House, Report of the National Agricultural Conference, op. cit., p. 171. In a speech at the conference, Dr. Richard T. Ely condemned price-fixing as it "tends to stratification and to a stationary economic condition. . . ." Ibid., p. 118.

. . . the Congress and the President . . . should take such steps as will immediately reestablish a fair exchange value for all farm products with that of all other commodities."[1]

No specific conference interpretation was given on what constituted fair-exchange value. Recommendations were made, however, for an equality of tariff treatment of labor and capital in agriculture and other industries.[2] How to measure equality of tariff treatment was not specified. Instead the conference recommended the broad goal of putting the agricultural industry on a "par" with other industries both as to remuneration, education, and general standard of living.[3]

Apparently the fair-exchange value plan did not receive much explanation or elaboration in the national farm conference. As reported by Johnson, one of its originators:

> We went to . . . [chairman] Anderson with this discussion of the effect of the tariff in view of surplus production on agriculture which had been carefully omitted from his Congressional study. . . . He frankly told us that if we tried to raise this point in that convention, he would steam-roller us --all of which he faithfully and artistically did.[4]

Although the fair-exchange value plan (equality for agriculture) did not receive a very favorable reception at the conference, speakers frequently expressed concern over the reduced purchasing power of farm product prices.[5]

<u>Deflation of labor and capital recommended for equality.</u>-- In the final session on January 27, opposing elements in the national agricultural conference forgot most of their differences temporarily at least and united in

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[1] <u>Ibid.</u>, p. 171.

[2] <u>Ibid.</u>, pp. 138 and 147.

[3] <u>Ibid.</u>, p. 139.

[4] Johnson, <u>op. cit.</u>, pp. 105-106.

[5] U. S. Congress, House, <u>Report of the National Agricultural Conference</u>, <u>op. cit.</u>, pp. 13, 23, 33, 45, 74-75.

denunciations of those whom they believed to be their common enemies. The statement of the Committee on Costs, Prices and Adjustments which was adopted by the Conference indicated that agricultural equality was to be sought by deflating labor and capital so that a more favorable farm purchasing power would result:

> There can be no restoration of national prosperity until both wages and capital, which enter into the production of commodities which the farmer buys, bear their mutual and just share in the general process of readjustment. Probably the chief source of relief which the farmer may rightfully expect is in the form of readjustment between the prices of products which he buys and which he sells.[1]

In addition, a specific resolution was adopted in regard to the railroad situation relative to labor costs:

> On the basis of present agricultural prices existing levels of freight rates on basic agricultural commodities constitute an excessive burden upon the agriculture of the country, and if long continued will result in relocating much of our agricultural production with consequent modification of railroad revenues and revenue-producing centers.[2]

As a result the conference recommended reduced freight rates; condemned Section 15-a of the Interstate Commerce Act, containing provisions as to the fixed amount of return that must be provided on the aggregate value of railroad properties, regardless of economic conditions; and suggested restoration of full powers of the State Railroad Commission as they existed immediately prior to the federal control of railroads.[3]

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[1] New York Times, January 28, 1922, p. 1. The same article stated also "For themselves and their efforts to force agricultural prices up to a level with other commodities, the farmers passed a resolution favoring the limitation of crop acreage until agricultural conditions in this country and Europe were improved."

[2] Ibid., p. 3.

[3] Ibid.

Equality for Agriculture Plan of 1922[1]

In April, 1922, George N. Peek and Hugh S. Johnson, President and Vice-President respectively of the Moline Plow Company of Moline, Illinois, submitted an unnumbered four page letter "To All Who May be Interested in Equality for Agriculture" which accompanied a forty-seven page publication - without authorship shown - entitled Equality for Agriculture.[2] The Peek-Johnson plan is credited generally with the idea of the base-period standard of equality (parity) which formed the basis of the McNary-Haugen Bills and the parity Acts beginning in 1933.[3] The principles, together with the outline of a plan to accomplish equality for agriculture, were presented to President Howard and Secretary Coverdale of the American Farm Bureau Federation in October, 1921. Peek and Johnson stated that the Farm Bureau officials had requested them to develop the principles.[4] The "request", however, resulted largely from the

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[1] A general statement of the plan is given in Appendix C.

[2] Original four page letter of transmittal "To All Who May Be Interested in Equality for Agriculture," April, 1922, by George N. Peek and Hugh S. Johnson. Letter submitted to the author by E. W. Ross, Former Associate of George N. Peek and Hugh S. Johnson, Moline, Illinois, October 5, 1951.

[3] Purchasing power inequalities of farm prices relative to non-farm prices represented a major factor in the rise and growth of farm organizations beginning with the Grange in 1867 (Chapter VII). Wallace claims that the first mathematical formulation of the "Equality for Agriculture" concept is (the ratio formula) found in his Agricultural Prices of 1920. Letter from Henry A. Wallace, South Salem, New York, December 11, 1951. In 1921, G. F. Warren applied the "ratio idea" to a five-year pre-war base period and got a comparison of farm prices with prices of other basic commodities and freight rates as well as a comparison of farm and wholesale prices. See G. F. Warren, Prices of Farm Products In The United States (Bulletin 999, Washington, 1921). In 1922, statisticians of the United States Department of Agriculture used the ratio idea in preparing a memorandum on "Agricultural Prices" at the request of George N. Peek and Hugh S. Johnson showing what the price of wheat, corn, hogs and cotton would have been during 1921 if the farmer had been getting "fair exchange value." See "Agricultural Prices Compared By United States Department of Agriculture, Jan. 1921--Feb., 1922."

[4] Original four page letter of transmittal by Peek and Johnson, op. cit. p. 3.

efforts of Peek and Johnson. As described by J. W. Coverdale, Former Secretary of the American Farm Bureau Federation:

As I remember the early history, Mr. George Peek and General Johnson came to my office with a proposition for general marketing. Pres. Howard was out of the city at the time and Johnson and Peek presented their story. As I recall it, they wanted the endorsement of the American Farm Bureau Federation. I suggested to them at the time that the Farm Bureau organization was rather new and did not have a Research Department properly set up and further that Henry C. Wallace was the Secretary of Agriculture and was supposed to be the spokesman for legislation that would affect the welfare of the agricultural interests. I suggested that they go and see Secretary Wallace and present the program to him and if it met with his approval I would be glad to confer with them further.

I also informed them that President Howard was in Washington at that time and that they might contact him while there seeing Secretary Wallace, which they did. As a result of those conferences, some time later, perhaps 30 to 60 days elapsed before Peek and Johnson returned with the proposed plan entitled 'Equality for Agriculture.'

Just who created the title, I do not know, but I am of the opinion that Secretary Henry C. Wallace and James R. Howard, President of the American Farm Bureau Federation, were largely responsible for determining the base period which was 1909-1915.[1]

Perhaps the more fundamental reason why Peek and Johnson undertook the task of developing a plan for the relief of agriculture was to bring relief to the implement company:

. . . when the collapse of post-war inflation came in 1921, the hardest hit industry in the country was agriculture and the next was the farm implement industry.

George [Peek] came to a typical conclusion: 'There can't be any business for us until the farmer is on his feet. There is nothing we can do here--let's find out what is the matter with agriculture.'[2]

Chester C. Davis, a contemporary and associate of Peek and Johnson, concurs with Johnson's explanation by stating:

My understanding was that George Peek and Hugh Johnson, then associated in the management of the Moline Plow Company, reached the conclusion that as a matter of equity, and more particularly to keep the implement companies from going broke, farm purchasing power had to be increased. I imagine Peek put

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[1] Letter from J. W. Coverdale, Director Agricultural Bureau, The Rath Packing Company, Waterloo, Iowa, November 14, 1951, pp. 1-2.

[2] Johnson, op. cit., p. 104.

the pressure on and Hugh Johnson came up with the fair-exchange value. They cooperated in the brief, 'Equality for Agriculture,' which was presented to the American Farm Bureau Federation, Secretary Wallace, and others.[1]

Although Peek and Johnson originally undertook their farm relief plan primarily for personal reasons, the two men - particularly Peek - persistently fought for the cause afterward.[2] This persistent effort undoubtedly was a favorable factor in making the plan popular.

Peek-Johnson plan advocated farm price equality under the tariff.-- The fundamental idea of the Peek-Johnson plan was to secure the periodically long sought goal of agricultural price relief through tariff readjustment.[3] This is indicated specifically by the brief, Equality for Agriculture:

> Agricultural tariffs, unless modified . . . cannot protect agriculture. World price fixes domestic price of every crop of which we export a surplus. Industrial tariffs can and do protect prices of articles for which crop is exchanged. The fair exchange value of the crop is thus reduced in proportion to the protection afforded industry. The protective principle is operated for the benefit of industry to the detriment of agriculture which can no longer afford to bear the burden.[4]
>
> . . . agricultural tariffs - no matter how high - cannot cure or affect it /surplus/. They could do so only if agriculture could divert surplus from domestic markets direct to export, and regulate supply to demand at home. Thus, and not otherwise, can agriculture secure fair exchange value for its sales to domestic consumption.[5]

Fair exchange value on the domestic market of each principal crop was to be established by computing: ". . . a price which bears the same relation to the general price index as the average price of such crop for ten pre-war years bore to average general price index for the same period."[6]

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[1] Letter from Chester C. Davis, Associate Director, The Ford Foundation, Pasadena, California, November 9, 1951.

[2] Johnson, op. cit., p. 106.

[3] Cf. Peek with Crowther, op. cit., p. 39; and Equality for Agriculture, Copyright, 1922, H. W. Harrington, pp. 1-47. The Lubin proposition, originally proposed in the 1890's, represented one of the more prominent forerunners with the same objective (Chapter VII).

[4] Equality for Agriculture, op. cit., p. 7.

[5] Ibid., p. 8.

[6] Ibid., p. 5.

Fair-exchange value standard designed to counteract charges of price-fixing.--The Peek-Johnson plan clearly favored improved, "fair" farm prices, an objective long sought for farm relief. The authors definitely recognized, however, that prevailing sentiment was against arbitrarily fixed price goals; a sentiment compounded from many previous experiences, especially those of an unsatisfactory nature, as well as from the current expressions of their time.[1] Furthermore, a widespread concern was felt over the low purchasing-power of farm products. Accordingly, an ingenious formula was adopted which in the opinion of the originators had nothing whatever to do with price-fixing:

> The formula . . . is merely a means for expressing a pure economic relation of values and for preserving it from, and offsetting, the subversive and disturbing interference of such artificial invasions of economic law, as the tariff, money, industrial and commercial combinations . . .[2]
>
> The controlling formula is fixed by statute and is thus completely removed from human or partisan control.[3]

This formula was to serve as "a check" on the power of agriculture to regulate the price resulting from adjustments of supply to demand; a check the standard of which was "fair-exchange value."[4] Agriculture, it was held, unlike industry was not asking for the right to regulate supply to demand to achieve an arbitrary price goal.[5] Agriculture did request the right to pool

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1 It will be recalled that sentiment against arbitrary minimum prices was expressed strongly in the national agricultural conference of 1922.

2 Equality for Agriculture, op. cit., p. 24.

3 Ibid., p. 25. Secretary of Agriculture, Henry C. Wallace stated in 1924 that the McNary-Haugen Bill which was based on the Peek-Johnson plan seems: "to be free from the insurmountable objections which can be urged against government price fixing or government purchase." At the same time he also indicated: "Perhaps some way of restoring fair prices for farm products other than that contemplated in the McNary-Haugen Bill can be found. The method is not of importance as long as it works." See Henry C. Wallace, Our Debt and Duty to the Farmer, (New York, 1925), p. 208.

4 Equality for Agriculture, op. cit., p. 20.

5 The plan indicated, however, that the Sherman and Clayton Acts put some restriction on industry in this regard. Ibid.

in order to sell for the export market which right industry enjoyed by virtue of the Edge Act.[1]

Johnson's account of the Washington debut of Equality for Agriculture revealed that it gained adherents and opponents and stirred up a controversy:

> We took it to Washington in the early days of Harding, and sold it lock, stock, and barrel to the elder Wallace, Secretary of Agriculture. We advised him to call a conference of leading bankers and industrialists, which he did. Some of them, and I can name Jim Bell, Fred Wills, and Ogden Armour, became convinced of the practicability and necessity of that plan. I understood Charlie Dawes also to approve it. But we made the mistake of taking it also to Herbert Hoover, who was intent on building export trade and would consider nothing that would raise the cost of American industrial products. He collared these converts and turned them 'about-face.' Although Secretary Wallace had specifically requested that everybody come back with his own opinion and that discussion by groups be postponed, Mr. Hoover had sent for Julius Barnes, who controlled the conference and led it into a caucus for the purpose of condemning the whole idea. He was in the export grain trade. They came back to that conference with Julius Barnes as their spokesman and damned that plan from cover to cover. Not so, however, Otto Kahn, who thought that it ought to be tried, and B. M. Baruch who, as a shrewd trader and elder economic statesman, believed that it offered power enough if capably administered to sustain the purchasing power of American farm products. It would have worked then when we still had an export market for farm products.
>
> We then suggested a conference of economists. This conference generally approved the basic idea. Over this issue Mr. Wallace and Mr. Hoover clashed.[2]

McNary-Haugenism based on Peek-Johnson plan.-- After the passage of the Capper-Volstead Cooperative Marketing Act of 1922 and the Agricultural Credits Act of 1923, the McNary-Haugen Bills occupied a prominent place in farm relief attention from 1924 to 1928.

Following the presentation of the Peek-Johnson plan to the varied representatives in Washington, the Bureau of Agricultural Economics proceeded with a series of studies bearing on various phases of the plan. Their results became evident with new low levels of wheat prices in the summer and autumn of 1923 when the matter was discussed by Secretary Wallace in a cabinet meeting in

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[1] Ibid.

[2] Johnson, op. cit., p. 105.

September and again in November when he addressed the Chicago Association of Commerce.[1]

Wallace then arranged for the drafting of legislation embodying the plan. The preliminary work was done by Charles J. Brand, Former Chief of the Bureau of Markets. Following the preliminary work of Brand, the Bill was introduced on January 16, 1924, in the Senate by Senator Charles L. McNary of Oregon and in the House by Representative Gilbert N. Haugen of Iowa. The three later Bills of 1926, 1927, and 1928 were based on the Peek-Johnson principle of making the tariff effective on exportable surplus agricultural products.[2]

The McNary-Haugen Bill of 1924 recommended an agricultural export corporation, controlled by the Secretary of Agriculture, the Secretary of Commerce, the Secretary of the Treasury, the Chairman of the United States Tariff Commission, and three directors appointed by the President with the consent of the Senate. The corporation was to terminate within ten years. It was to have a capitalization of 200 million dollars. In emergency periods the corporation was to buy certain crops and livestock--wheat, flour, corn, raw cotton, wool, cattle, sheep, swine, or any product of cattle, sheep, and swine--and establish a ratio price for these items which ". . . shall bear the same relation to the current all-commodities price as the pre-war prices bear to the pre-war all-commodity price."[3] In effect the McNary-Haugen Bill embodied the chief features of the Peek-Johnson plan, including the ratio-price idea of fair prices, selling of surpluses abroad at world prices, an "equalization fee" to recoup the loss by an assessment on the domestic price, and a "scrip" device to collect the

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1 Christensen, _op. cit._, p. 37.

2 _Ibid._, p. 37.

3 U. S. Congress, House, _Hearings before the Committee on Agriculture_, on H. R. 5563, McNary-Haugen Export Bill, serial E, part 1, 68 Congress, 1 sess. (Washington, January 21, 1924), p. 1.

fee.[1]

The first McNary-Haugen Bill was defeated for several reasons. The complexity of the equalization-fee plan, lack of effective farm organization support, and, of major significance, the prevalent theory that farmers should work out their own problems without governmental interference all were instrumental in defeating the bill.[2]

Coolidge conference opposes price stabilization but favors cooperation.--Meanwhile, President Coolidge made appointments in 1924 for a farm conference to investigate farming conditions in the United States and to make recommendations to Congress that would form the basis of relief and improvement legislation through existing means rather than through new agencies. At the same time there appeared before the Senate and House Committees on Agriculture several proposals for cooperative marketing. They were the Curtis-Aswell, the Capper-Williams, the Smith, and the Tincher Bills.[3] The Coolidge conference which was dissolved late in 1925 opposed the principle of stabilization of farm prices; the recommendations on cooperation received most attention in legislative circles.[4] During the course of the Coolidge conference the Capper-Haugen Bill was introduced, embodying the recommendations of the conference. This called for the creation of a federal marketing board outside the Department

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[1] For a brief explanation of how the scrip was to "equalize" the fee see Saloutos and Hicks, op. cit., pp. 383-383, as originally reported in The Independent, CXII (April 12, 1924), pp. 191-192.

[2] Darwin N. Kelley, "The McNary-Haugen Bills, 1924-1928," Agricultural History, XIV (October, 1940), p. 175.

[3] Saloutos and Hicks, op. cit., p. 384.

[4] Arthur Morton Murphy, The Agricultural Depression and Proposed Measures for its Relief, Ph.D. Dissertation (Washington, Catholic University of America, 1926), pp. 32-39. Coolidge did not always oppose price stabilization. In 1926, for example, he encouraged price stabilization when he called on Eugene Meyer to head a cotton corporation for the purpose of resisting further price drops. See the New York Times, November 18, 1926.

of Agriculture, with the Secretaries of Agriculture and Commerce as two of the five members. The Capper-Haugen Bill, however, was defeated by the substitution of the Dickinson Bill, which had been drafted by cooperative groups opposed to the conference proposal. The Dickinson Bill also proposed to set up a marketing board in the United States Department of Agriculture, but omitted the provision for registering cooperatives which proved to be sound.[1]

Export debenture plan.-- In addition to the McNary-Haugen Bills and the various cooperative bills, a third farm relief plan of significance in the middle 1920's was the export debenture plan. This plan was outlined by Professor Charles L. Stewart of the University of Illinois about 1924. Stewart stated that his plan was modeled upon the German plan under which export bounties on grain were paid in the form of certificates that were accepted in payment of import-duties on cocoa, petroleum and other products not produced in Germany but subject to revenue duties. Stewart's plan provided export bounties (as the Lubin proposition of the 1890's) on certain farm products which were to be paid in the form of debentures that were receivable for import-duties on other goods. The scheme was supposed to reduce the customs revenues but raise prices to consumers only the amount of the net gain in prices received by producers.

It was held that the debenture plan would be simpler in operation, but would stimulate greater exportation than the McNary-Haugen plans. The debenture plan was sponsored by the National Grange, and was embodied in the McKinley-Adkins Bills in 1926. The nearest it came to being enacted into law was on an unsuccessful motion in the House on May 3, 1928, to substitute it

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[1] John D. Black, "The Progress of Farm Relief," American Economic Review, XVIII (June, 1928), pp. 263-264.

for the McNary-Haugen Bill.[1]

McNary-Haugen Bills in 1926 and 1927.-- In 1926, George N. Peek attended a meeting of the Board of Directors of the American Cotton Growers Exchange and secured new support.[2] Meanwhile those who supported the equalization-fee organized under Peek, who was chairman of the Executive Committee of Twenty-Two which had been set up at a conference at Des Moines. Prior to the conference President Coolidge sent a message to the group at Des Moines implying that the conference should steer away from the equalization-fee. Instead of following the President's suggestion, the group was united more solidly behind the McNary-Haugen Bill.[3] Besides the above influences which tended to solidify support for the Bill, the cooperative aspect was included with the fortunes of the measure with the introduction of a Bill by Congressman Dickinson. Dickinson introduced a Bill similar to the McNary-Haugen Bills except for handling the surpluses by cooperatives.[4]

The McNary-Haugen Bill of 1926 which met defeat was reintroduced in 1927. For the first time the Bill passed both Houses.[5] President Coolidge, however, vetoed the measure because of a host of reasons. He found it unconstitutional, unworkable, price-fixing, sectionally discriminating, imposing additional burdens upon the generality of farmers while of doubtful helpfulness to the minority it aimed to benefit, encouraging overproduction, raising prices of farm products at home while selling them cheaply abroad, costly to the government, bureaucratic, and altogether unsound and undesirable.[6]

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[1] John D. Black, "The McNary-Haugen Movement," American Economic Review, XVIII (September, 1928), pp. 424-425.

[2] Christensen, op. cit., pp. 38-39.

[3] Kelley, op. cit., p. 175.

[4] John D. Black, "The Progress of Farm Relief," American Economic Review, XVIII (June, 1928), p. 264.

[5] Christensen, op. cit., p. 39.

[6] New York Times, February 26, 1927, pp. 1 and 6.

Industrial Conference Board and U. S. Chamber of Commerce recommend "disparity" remedies.-- Besides legislative efforts at this time to remedy the "disparity" conditions of agriculture, the National Industrial Conference Board, Incorporated, and the Chamber of Commerce of the United States published the results of an extended research into the agricultural problem in 1927.[1] This study was a further pursuit of the Conference Board report of the previous year.[2]

The report of 1926 indicated that for a considerable period before the war and at least as early as the beginning of the present century, forces had been in operation which tended to create a progressive inequity and maladjustment between agriculture and other branches of economic life. This situation was reflected in seven conditions such as a "disparity" in per capita income; a "disparity" in return for agricultural investment; and a "wide disparity" between farm and non-farm per capita income.[3] The indefinitive remedy proposed for these and other "disparities" was to be found in ". . . co-operation of all economic interests along sound economic lines" and not "extemporized legislation."[4]

The more extended study of 1927 of the Business Men's Commission considered nine broad measures for agricultural improvement. They were legislative action to increase agricultural income, stabilizing agricultural income by governmental aid, individual self-help, cooperation, land utilization, taxation, rural banking and agricultural credit, transportation and distribution, and research

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[1] The Business Men's Commission on Agriculture, The Condition of Agriculture in the United States and Measures for its Improvement (New York and Washington, 1927).

[2] Virgil Jordan and Assistants of the National Industrial Conference Board's Research Staff, under supervision of the Board's Staff Economic Council, The Agricultural Problem in the United States (New York, 1926).

[3] Ibid., pp. 143-144.

[4] Ibid., pp. 148-150.

and education.

The Commission objected to price raising by agricultural legislation as provided by the McNary-Haugen proposals.[1] It did favor tariff readjustment as a means of improving farm income.[2] While the protective system was recognized as the product of a long process of evolution from the beginning of our history as a nation, it was recommended that gradual modification of the tariff policy should be undertaken so as to more nearly equalize the benefits of the policy to industry and agriculture.[3]

On the question of stabilizing agricultural income by governmental aid, the Commission recommended that a Federal Farm Board and stabilization corporations be established. As the corporations became strong through experience they should attempt gradual control of production by influencing planting intentions and planting programs by a minimum price guarantee announced to farmers in advance of planting.[4] The second proposal to stabilize agricultural income by governmental aid consisted of a very general recommendation for the stabilization of the general price level. It was stated that the general price level was a world phenomenon and that international cooperation would be necessary to avoid the wastes of excessive fluctuations.[5]

On cooperation, the recommendations were concerned with the production process and marketing. Cooperation among farmers in the production process, it was held, would give many advantages similar to those obtained in the manufacturing industry through large scale production.[6] In marketing, it was

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1 The Business Men's Commission on Agriculture, <u>op. cit.</u>, pp. 164-165.
2 <u>Ibid.</u>, p. 169.
3 <u>Ibid.</u>, p. 175.
4 <u>Ibid.</u>, p. 185.
5 <u>Ibid.</u>, p. 188.
6 <u>Ibid.</u>, pp. 195-196.

stated that existing marketing machinery in the great staples, wheat and cotton, worked very efficiently through exchanges. Except for perishable products cooperative marketing was not held to be of great value.[1] Cooperative selling associations which would limit the supply by restricting output per farmer were condemned.[2] How this view was to be reconciled with the earlier recommendation for announced prices to control production was not explained.

Final Failure of McNary-Haugen Bill.-- Congress attempted to create a new McNary-Haugen Bill in 1928 by passing a measure which would meet the 1927 veto objections without at the same time sacrificing the equalization-fee. Again the President vetoed the Bill.

The major trends in the McNary-Haugen Bills from 1924 to 1928 were as follows:

> The first bills were emergency measures whereas the later ones suggested a permanent policy; the equalization fee remained the basic feature, although cooperative marketing was added in 1926; all important agricultural products were finally brought into the plan; the collection of the fee was shifted closer to the export market; there was a working away from the charge of price-fixing; reference to tariff effectiveness was replaced with emphasis on orderly marketing; and, in the later bills, more recognition was given to the probable necessity of controlled production.[3]

Since it was generally recognized that the chances of getting a substitute farm relief measure through following the second veto were very small, the McNary-Haugenites attempted to include favorable planks in the party platforms at the national presidential nominating conventions. The Republicans rejected the plan of the McNary-Haugen supporters and instead promised to create a Federal Farm Board to develop a system of farmer owned and controlled stabilization corporations which would prevent and control surpluses through orderly

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[1] Ibid., p. 203.
[2] Ibid., pp. 205-206
[3] Kelley, op. cit., p. 175.

distribution in addition to offering adequate tariff protection to agricultural products affected by foreign competition. The Democratic platform resolved to solve ". . . the problem of the distribution of the cost of dealing with crop surpluses over the marketed units of the crop whose producers are benefited by such assistance."[1] On the whole both parties promised to help the farmer stabilize his business by government aid in the disposal of surplus crops. Alfred E. Smith, the Democratic nominee, favored the equalization-fee principle embodied in the McNary-Haugen Bills while Herbert Hoover, the Republican nominee, looked with disfavor upon the equalization-fee plan.[2] During the closing days of the campaign Hoover promised that, if the session of Congress ending March 4, 1929, failed to pass a suitable farm relief measure, he would call, if elected, a special session for that purpose. Three days after his inauguration President Hoover called Congress to meet in special session on April 15, 1929, to consider farm relief and limited changes in the tariff.

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[1] Christensen, op. cit., p. 40.

[2] Henry A. Wallace, New Frontiers (New York, 1934), p. 155. Herbert Hoover's attitude was stated as early as 1920. On October 14 of that year in an address before the Kansas State Board of Agriculture he recognized that the question of dominating interest was the great fall in the price of wheat. In considering remedies he stated that "complete artificial control of price is not only infeasible, but I doubt if it would be tolerated." "Cooperation," he thought, represented the better remedy. See Herbert Hoover, "Farmers' Problems," Twenty-Second Biennial Report of the Kansas State Board of Agriculture (Topeka, 1920), p. 18. George N. Peek, co-author of the brief, Equality for Agriculture, which recommended the equalization-fee was a Republican, but he supported Smith in 1928 and Roosevelt in 1932.

The Agricultural Marketing Act of 1929[1]

As a result of the special session the Agricultural Marketing Act became law June 15, 1929. This Act was intended to provide agriculture with a means of orderly marketing paralleling the production and marketing mechanisms of non-agricultural industries. Major provisions of the Act were concerned with marketing; the Federal Farm Board undertook to encourage cooperatives and stabilization corporations established and owned by the cooperatives. A 500 million dollar revolving fund was allotted the Board to unify with loans the marketing process. Although the Board first regarded its principal function as developing cooperative marketing associations, stabilization of agricultural prices quickly became the major objective with farm price declines during the latter part of 1929. Loans were made by the Farm Board to the cooperatives in order to enable them to hold commodities in storage until the market improved. Stabilization corporations were then set up for wheat and cotton which took over a large share of the supplies that had been held by the cooperatives as well as stocks acquired by direct purchases. In May, 1931, the Farm Board ceased purchases of wheat after suffering heavy losses.[2] Among other ways to hold production in line with demand the Farm Board favored destruction of crops as evidenced by the request to the governors of the cotton states to

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[1] Cooperative marketing as a means of securing better farm prices had received much attention by 1929. From 1890 to 1910 various unsuccessful attempts were made to prosecute in several states the directors and officers of selling cooperatives for fixing prices. The Capper-Volstead Act of 1922 legalized the organization of cooperative associations for marketing farm products. See John D. Miller, "The Philosophical and Legal Background of the Cooperative Movement in the United States" (Washington, 1935), p. 16. For a brief explanation of the purposes of the Act and how they were to be attained see the section in Chapter II, Agriculture on economic equality with other industries: 1929 parity. For a detailed discussion of the Act see E. A. Stokdyk and Charles H. West, The Farm Board (New York, 1930).

[2] New York Times, May 30, 1931, p. 8.

lead a movement for plowing under every third row of cotton "now growing".[1] The proposal met with opposition not only from the governors but also from Southern officials and newspapers generally.[2]

Toward the close of 1931, the Farm Bureau, the Grange, and the Farmers Union gave notice that Congress would be asked to "modify" the Agricultural Marketing Act.[3]

The stage was thus set for a revival of farm relief plans to remedy the "disparity" conditions. Besides the formal "disparity" remedies drawn up at this time, the "farm holiday" became increasingly manifested.[4] This movement was characterized by farmer organization to force an embargo on the movement of livestock, grain, and other products toward the central markets. Violent disputes frequently occurred between picketing farmers and sheriffs' forces. The movement reached such formidable proportions by December, 1933, that a group of governors including those of Iowa and Minnesota made a trip to Washington and recommended that President Roosevelt institute price-fixing and detailed regulations other than those existing. The President rejected the suggestions after they were condemned by Henry A. Wallace and George N. Peek.[5]

Domestic Allotment Idea to Agricultural Adjustment Act of 1933

The domestic allotment plan came to the forefront among the "disparity" remedies after the equalization-fee and export-debenture had been superseded by the Agricultural Marketing Act of 1929 creating the Farm Board. The germ

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1 New York Times, August 13, 1931, p. 1.

2 New York Times, August 14, 1931, p. 1 and August 15, p. 2.

3 New York Times, December 8, 1931, p. 14.

4 The name "farm holiday" was adopted since the term "holiday" had been chosen by the banks which had closed and made it impossible to withdraw money. See the Des Moines Register, March 11, 1932.

5 Albert Shaw, "The Progress of the World," Review of Reviews, and World's Work, LXXXVIII, No. 6 (December, 1933), pp. 15-16.

of the allotment idea according to one writer was suggested in a farmers' plan to fix prices on farm products, which was discussed in 1894.[1] Henry A. Wallace once credited W. J. Spillman as the "philosophic father" of the Agricultural Adjustment Act, which embodied features of the allotment idea. John D. Black and Beardsley Ruml were influenced by Spillman's "limited debenture plan" in devising a "transferable-rights" plan. One of the most energetic converts to the domestic allotment idea was M. L. Wilson of Montana State College. Wilson headed a group which radically modified the Ruml-Black "transferable-rights plan," after which it became known as the "voluntary domestic allotment plan."[2] The allotment plan involved raising farm prices for the domestically consumed part of export crops by limiting sales of such crops in the domestic market. The share of such crops sold in the domestic market was to be classified as the "domestic allotment." Farmers were to be given certificates covering their domestic allotment. To move a commodity into domestic consumption, processors had to cover the quantities offered for sale with certificates purchased from farmers. The increased return on each farmer's domestic allotment was to result from the world price plus the proceeds from the sale of his certificates. On quantity exceeding the domestic allotment no certificates were issued. As a result, farmers would receive only the prevailing world price on such production. The allotment plan combined some of the features of the debenture and equalization-fee proposals. Like both of them, it was designed to advance the domestic price of farm commodities. Unlike the two earlier plans, however, the allotment plan, it was thought,

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[1] Editorial, "Out of the Past," Farmer and Farm, Stock and Home, L (October 1, 1932), p. 8.

[2] Saloutos and Hicks, op. cit., pp. 452-454.

was designed to hold production in line with demand.[1]

The allotment plan passed the Senate as the Norbeck Bill in the summer of 1932, but it was recalled before it could be introduced in the House. Another bill was introduced in the House as the Fulmer Bill and still another somewhat later as the Hope Bill. The Democratic platform favorably alluded to the allotment plan and Franklin D. Roosevelt during the campaign, and especially in his Topeka speech on September 14, virtually outlined the same program and gave it his approval.[2]

On December 13, a "tentative" farm relief bill on allotment lines was submitted to the House Committee on Agriculture by Chairman Marvin Jones of Texas. The bill authorized the Secretary of Agriculture to enter into voluntary domestic allotment contracts with producers of agricultural commodities for the curtailment of production. In return the farmers would be issued "adjustment certificates" for a government bounty on the reduced output. The bill was submitted by Jones following a conference with more than fifty representatives of national farm organizations. Although the measure was expected to form the basis of the farm relief program of the Roosevelt administration, it was regarded primarily as a basis for the House Committee's work. John A. Simpson, President of the Farmers Union, predicted that the measure would not be passed by the "present session."[3]

A few days later, leaders of the major farm organizations offered a plan of farm relief before the House Committee on Agriculture in the form of amendments

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[1] Cf. Chester C. Davis, "The Development of Agricultural Policy Since the End of the World War" (Yearbook of Agriculture, Washington, 1940), pp. 315-316; Bernhard Ostrolenk, "The Farm Problem Becomes Urgent," New York Times, December 11, 1932, Sec. 8, p. 1.

[2] Ostrolenk, op. cit., Sec. 8, p. 1.

[3] New York Times, December 14, 1932, p. 17.

to the Jones Bill. Plans of the organizations were submitted by Fred Lee, counsel, in the form of amendments to the Jones Bill. Lee insisted that any plan of effective farm relief should restore prewar purchasing power of farm commodities, should reduce production in line with effective demand, should apply to "basic products," and should be self-financing. Under the Jones Bill no provision was made for acreage reduction until 1934. In the matter of adjustment payments farmers would be paid for their adjusted production only the equivalent of the existing tariff. On wheat, for example, this would be 42 cents a bushel regardless of the price received at time of sale. On the other hand, the farm organizations favored adjustment payments sufficient to restore the total price of that portion of the commodity used in domestic consumption to its "pre-war purchasing parity."[1]

Following Lee's action, Speaker John N. Garner announced on December 30 that a special rule would be asked for immediate consideration of farm relief legislation.[2] The House Committee on Agriculture was expected to complete its bill in the very near future under the guidance of Committee Chairman Jones. The proposed Bill was reported as following the general lines of the "parity plan," whereby the farmer would receive 1914 prices for his products, including wheat, cotton, tobacco, and hogs. The "parity plan" was described as similar to the so-called domestic allotment plan, except that it gave the farmer an even better price level in that it set the 1914 value of products as the standard rather than "present prices plus tariff rates." Under the "parity plan" the differential between 1914 and 1932 prices would be made up to the farmer by a levy on the first processor of his products.[3]

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[1] New York Times, December 15, 1932, p. 8.
[2] New York Times, December 31, 1932, p. 2.
[3] Ibid.

While Marvin Jones hesitated to predict that his measure would pass the House, Representative Rainey of Illinois, Democratic leader, and Representative Haugen of Iowa, ranking Republican on the Committee, were confident of its success.[1]

The House Committee on Agriculture reported favorably on the Jones "parity" Bill in early January, 1933.[2] At the same time, however, the House Committee also made a minority report which favored "parity" but condemned the Jones Bill for not including all farm commodities, for being unworkable, and for attempting stabilization of prices of farm surpluses.[3]

Despite the minority dissension in Committee, the House passed the Jones "parity" Bill on January 12, 1933 by a vote of 203 to 151. Under terms of the measure, producers of seven commodities, wheat, cotton, hogs, tobacco, rice, peanuts, and butterfat, would receive special bonuses equal to any deficiency between the market price and the relative prewar prices of the same commodities. The Treasury was to make payments to producers provided acreage or hog tonnage was curtailed by 20 percent. In the case of butterfat, the bonus was to apply to 80 percent of the production. Funds to pay the bonuses were to be raised by a special tax levied on the first processor of the commodity.[4]

On the proposal of Chairman Jones, the base-period for determining the average parity price level of tobacco was extended to the ten years from September, 1909, to August, 1919. The base-period for the other commodities remained at the five years from September, 1909, to August, 1914. Representative

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1 Ibid.

2 U. S. Congress, House, Agricultural Relief, Report No. 1816, 72 Congress, 2 sess. (Washington, 1933), p. 3.

3 U. S. Congress, House, Agricultural Relief, Minority Report No. 1816, Part 2, 72 Congress, 2 sess. (Washington, 1933), pp. 1-2.

4 New York Times, January 13, 1933, p. 1.

Fred Vinson of Kentucky explained that burley tobacco was selling at 14 cents a pound and that a "parity" price based on the five-year period ending with August, 1914, would be only 10½ cents a pound since those five years included a "very low-priced" period for tobacco.[1]

Following House approval of the Jones Bill, opposition from the Senate and elsewhere continued. Early in January it was reported that Senator ("Cotton Ed") Smith of South Carolina would probably lead Democratic opposition to the "parity" Bill.[2] After talking with President-elect Roosevelt, Senator Smith advocated amending the "parity" Bill to restrict its operation to wheat and cotton.[3] During his talk with newspaper reporters at this time, President-elect Roosevelt indicated that all he could do was to state his general policies and leave the details to Congress. He pointed out that this Congress had only a scant Democratic majority in the House and no majority in the Senate and that the President was Republican.[4]

In early March it appeared that the "parity" plan of the majority of the House was doomed.[5] Soon thereafter Secretary of Agriculture Wallace took the matter up with President Roosevelt on the evening of March 8, to see if some form of farm relief could be obtained in the special session, which was expected to remain in session three days only.[6] As a result a conference of farm leaders was called for March 10, in Washington. The conference lasted a day and a half. The outcome of the discussion was to make the legislation so flexible that the Secretary could apply whatever scheme seemed best adapted

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1 *Ibid.*, p. 2.
2 *New York Times*, January 10, 1933, p. 2.
3 *New York Times*, January 17, 1933, p. 3.
4 *Ibid.*
5 *New York Times*, March 7, 1933, p. 28.
6 Wallace, *op. cit.*, p. 162.

to a given commodity.[1] The idea of "parity," of fair-exchange value for farm products, was agreed upon as the objective of the new legislation. "Parity," it was thought, would serve not only as a goal to shoot at, but also as a limiting factor "in deference to consumers."[2]

The Senate Committee on Agriculture and Forestry on February 20, 1933, approved the Jones Bill but submitted seven amendments. The Senate Committee desired to confine the Bill to wheat and cotton, eliminate acreage controls, benefits were to be restricted to the crop produced rather than the amount marketed, fair-exchange value was to be determined by the average price received by producers at local markets during the base period August, 1909 to July, 1914 rather than as provided in the House Bill of maintaining the same relationships between farm prices and the prices of industrial articles the farmer buys that existed in the prewar period. The other three amendments were concerned with the time within which the producer would benefit from his certificates, elimination of the marketing period, and elimination of duties on animal, marine, and vegetable oils and fats.[3]

After a conference with the President on March 11, a Bill was drawn up and introduced in the House on March 16.[4] President Roosevelt in sending the farm Bill to Congress proposed a reduction in the acreage and production of nine[5] specified basic farm commodities, and also proposed to compensate farmers for such reductions by rental or benefit payments, or both, through the use

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[1] Ibid., p. 163.

[2] Ibid.

[3] U. S. Congress, Senate, Agricultural Relief, Report No. 1251, 72 Congress, 2 sess., February 20, 1933 (Washington, 1933), pp. 4-6.

[4] Wallace, op. cit., p. 164.

[5] The nine commodities were wheat, cotton, tobacco, corn, rice, hogs, cattle, sheep, milk and its products. See the New York Times, March 23, 1933, p. 3.

of variations of the domestic allotment and land-leasing plans; to enter into agreements with producers, processors, associations of producers, or any other agencies in handling the commodities involved to regulate their marketing; to require processors and distributing agencies engaged in interstate and foreign commerce to obtain from the Secretary of Agriculture licenses permitting them to operate, and to regulate them in other ways for eliminating unfair practices and charges; to impose taxes on processors of basic farm commodities to whatever extent might be considered necessary to restore the prewar (1909-1914) purchasing power of prices for such commodities to a level with prices of industrial products the farmer must buy, subject to the limitation that the tax might be reduced by the Secretary if he should believe it is more than could be borne under existing conditions without causing excessive reduction in consumption; and to employ the Smith cotton option contract plan for bringing a reduction in the 1933 cotton crop.[1]

The House passed the farm Bill, but opposition arose at once in the Senate and elsewhere. Senator Smith desired to redraft all provisions of the Bill except those applying to cotton. Senator McNary indicated that he would work to limit the proposed relief to cotton and wheat.[2] John A. Simpson, President of the Farmers Union and Washington representative of the Farmers National Holiday Association, desired a scheme of fixing prices by means of compulsory control of marketing at a point equal to "cost of production."[3] Secretary

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[1] "Text of the Administration Farm Relief Bill Submitted to Congress," Special to the New York Times, March 16, 1933, p. 2. The New York Times on pages 1 and 2 of this issue referred to the President seeking "Broad Power for Restoring Parity of Prices." The Bill used the term, "equality of purchasing power" to refer to the 1909-1914 base instead of "parity."

[2] New York Times, March 23, 1933, p. 1.

[3] Cf. Henry A. Wallace, op. cit., p. 167, and the New York Times, May 10, 1933, p. 5.

Wallace opposed the Simpson plan. Meanwhile Senator Thomas, Democrat of Oklahoma, submitted a proposal to add a section giving the President wide powers to expand the monetary system by issuing greenback currency, authorizing free coinage of silver at a ratio with gold that the President would determine, and fixing the gold content of the dollar.[1] Despite Administration influence, the Senate, through the influence of Senator Norris, incorporated in the farm Bill an authorization for the Secretary of Agriculture to fix prices on a cost-of-production basis as an alternative to the land leasing or domestic allotment plan.[2]

The Senate passed the farm Bill in the form of an "inflation-farm bill" by a vote of 64 to 20 on April 28, 1933. The bill virtually clothed President Roosevelt and his assistants with dictatorial powers in regulating currency and agriculture. One or three methods were authorized to raise farm prices:

1. Domestic allotment - To determine the consumption of wheat, cotton, corn, hogs, dairy products, tobacco, rice and beet and cane sugar; to license producers and processors so that only domestic consumption requirements shall be sold in the domestic market at prices equal generally to the average in 1909-1914, and to collect a tax from processors to pay the cost.

2. To lease marginal lands and withdraw from production sufficient acreage to cut production of agricultural commodities to domestic needs.

3. To guarantee cost of production to farmers.[3]

Provisions were made also for 2,500,000 or more bales of cotton held by credit agencies to be withheld from the market until the spring of 1934. In addition, farm mortgage relief and inflation through raising the dollar values of commodities were provided.[4]

The House rejected the cost-of-production amendment which the Senate had

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[1] New York Times, April 13, 1933, p. 5.

[2] New York Times, April 15, 1933, p. 12 and May 11, 1933, p. 1.

[3] New York Times, April 29, 1933, p. 1.

[4] Ibid.

voted into the farm relief-inflation Bill against Administration wishes by a vote of 283 to 108. With the exception of this amendment, the House and Senate were in complete agreement on the Bill.[1] After sharp debate the cost-of-production amendment was rejected in the Senate by a vote of 48 to 33.[2] With the signing of the Bill by President Roosevelt on May 12, 1933, the farm Bill became The Agricultural Adjustment Act of 1933.[3]

Surplus Adjustments and Price-Raising for "Parity"

Following the unsuccessful experience of the Federal Farm Board in raising farm prices, the Agricultural Adjustment Act of 1933 and those that followed up to 1938 added the feature of production control in order to raise farm prices. This was to be accomplished by means of the Commodity Credit Corporation's loan programs and the Agricultural Adjustment Administration's acreage controls. It is agreed generally that only the outbreak of war in Europe spared the governmental price-raising programs from the fate of the Federal Farm Board.

Since 1938 "agricultural parity" has remained an integral part of agricultural policy.[4] During the early post-war period, surplus difficulties resulting from the price-supports were experienced only with minor crops like potatoes. With larger crops in 1948, some weakening in foreign demand because of larger crops abroad, and the coming of the inventory recession of 1948-1949, the full effects of the high-level price-supports began to emerge. The

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[1] New York Times, May 10, 1933, p. 5.

[2] New York Times, May 11, 1933, p. 1.

[3] Chapter II under Purchasing power of farm prices equal to base period level: 1933 parity, reports the policy of the Agricultural Adjustment Act and how it was to be achieved.

[4] For a brief discussion of the meaning of "agricultural parity" since 1938, see the section in Chapter II on Parity (price equality ideas) since 1938.

Commodity Credit Corporation accumulated large stocks of wheat and corn. Acreage allotments were established for corn and wheat for the 1950 crop season, while both acreage allotments and marketing quotas were established for cotton. In this period, the continuation of high price-supports caused the accumulation of stocks in storage and, therefore, checked the decline in farm prices. Although provision had been made for crop acreage controls in 1950, the outbreak of war in Korea made their use unnecessary. Releases of storage stocks helped moderate the price rises of some commodities, such as cotton and butter. Acreage restrictions were dropped on 1951 crops except for tobacco and winter wheat. Although acreage restrictions were dropped for winter wheat, they were still in effect when the crop was sown. In addition, price-supports for potatoes and eggs were eliminated.[1]

The Agricultural Act of 1948 recognized the principle of flexible price-supports; nevertheless, supports were left high and rigid. The Agricultural Act of 1949 (now in effect) retains some of the flexible principle, but is at the same time subject to many rigid qualifications. It sets up a price-support range of 75 to 90 percent of "parity" according to the ratio that supply at the beginning of the market crop year bears to normal supply. This applies to all the "basic" crops except tobacco, where the support ratio is 90 percent. Furthermore, this ratio could not be less than 90 percent for the 1950 crop or less than 80 percent for any 1951 crop where marketing quotas or acreage allotments were in effect.[2]

Another group of products, including soybeans and wool, are to be supported at 60 to 90 percent of "parity," and milk and butterfat and their products at

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[1] Turning the Searchlight on Farm Policy (Farm Foundation, 1952), pp. 28-29.

[2] Ibid., pp. 30-31.

75 to 90 percent. Supports for other products are not to be in excess of 90 percent of "parity." But the Secretary is given authority after proper hearings to support at a level in excess of the maximum prescribed in the Act in order to prevent or alleviate a shortage involving national welfare or defense needs. Apparently the flat 90 percent supports on the basic and certain other crops were continued in 1951 under authority of this provision. This date has again been extended by the Secretary on the ground that such action is in the interest of national welfare and security.[1] Clearly, the "agricultural parity" standard has been affected by whatever is judged "fair" or "just" regardless of its effects upon efficiency in the use of resources.[2]

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[1] Ibid., p. 31.

[2] A confidential report to the Senate Agriculture Committee shows that "shortages" growing out of Department of Agriculture contracts with private firms for storage of farm commodities will perhaps total $5,000,000 or less. In most cases the losses resulted when a few private firms converted government-owned commodities to their own uses, mostly by selling them in speculative operations. The Department estimates that the losses would run less than one-eighth of one percent on the total volume of commodities handled by the storage trade and as such would be no higher than those of private business operations of comparable size. Although the Department officials classify these losses as "conversions" of government commodities, in the language of Senator Aiken (R-Vt.) the word is "stealing." The Department points out that there is no evidence that government employees profited from the "conversions;" on this point Senator Aiken agrees.

"Legal" losses since 1929 resulting from the government's efforts to secure "parity" or "fair" prices for farm products through the Federal Farm Board and the Commodity Credit Corporation range from $1,300,000,000 to $1,400,000,000. Losses under the price-support program of the Federal Farm Board inaugurated in 1929 are estimated at $300,000,000 to $400,000,000. For fiscal 1951, the Commodity Credit Corporation suffered a record-breaking $346,000,000 loss on price-supports. The Commodity Credit Corporation was organized in 1933. Through the Corporation the government buys or lends money to farmers on crops when prices dip or threaten to dip below the fixed support level. If the prices rise within a specified time, the farmer can recover his crop and take the profit. If not, the government must stand the loss. During the past 18 years, government (CCC) losses from supporting farm prices have equaled $982,000,000. In 1951, the losses occurred mainly on dairy products, dried eggs, and potatoes. Dried eggs and potatoes have now been dropped from price supports. See the U. S. Department of Agriculture, Ninth Annual Report of the Farm Credit Administration, 1941, p. 237, and the New York Times, December 28, 1951, p. 11 and January 13, 1952, p. 49.

PART IV: SUMMARY AND CONCLUSIONS

CHAPTER IX

SUMMARY AND CONCLUSIONS

The derivation and the development of the hypothesis that "agricultural parity" had a long-time evolution, beginning prior to the twentieth century, represents the subject of this study. Prominent national leaders who were active participants in securing the passage of the Agricultural Marketing Act of 1929 and the Agricultural Adjustment Act of 1933 conclude that these measures were realized only after many years of struggle beginning before the twentieth century. Neither of these laws uses the term "parity" in its declaration of policy. Instead, "parity" is referred to by the term "equality." Upon passage, however, each of these Acts was described as a "parity" law. Limited historical studies substantiate the conclusion of a long-time evolution which differs from the prevailing classification of several well-known agricultural economists. The latter writers conclude that the roots of "agricultural parity" are found in the twentieth century.

The prevailingly accepted agricultural economist version of "agricultural parity" is that it is a fair standard of farm price purchasing power such as existed in 1909-1914. While accepting this definition, agricultural economists usually condemn it as unworkable for efficient resource use. Usages of the term "parity" before and after its adoption into agricultural terminology including its implied and direct incorporation into the farm price relief Acts of the twentieth century indicate that "agricultural parity" is a broader concept than is realized generally. "Agricultural parity" is a concept of farm price and income justice which is to be achieved through adjustments of farm surpluses. In actual practice the "parity" standard is determined by human judgment. This is in accordance with the long-time usage of the idea prior to its adoption into agriculture. Recent legal "agricultural parity" beginning with the Agricultural Marketing Act of 1929, with its general objective of "economic equality," is highly dependent also on human judgment for its standard. The most specific interpretation of what constitutes "price parity" in the 1929 Act is a commodity price level other than an excessively fluctuating or depressed level. Apparently it was left to the judgment of the administrators of the Act to decide what constituted excessive fluctuations or depressions in prices. Furthermore, the "parity" Acts beginning in 1933 that are definitive in statistically measurable standards are dependent upon human judgment for a determination of their standards. This is evidenced by the choice of the base-period, the items to include in the formula, the selection of the means to achieve a "normal" balance between demand and supply for price and income equality, and the fixing of prices by the Secretary of Agriculture in instances when he finds that base-period price relationships are unreasonable for certain products under marketing agreements and orders.

While agricultural parity is defined differently by each of the "parity" Acts from 1929 to 1949, each law consistently uses the idea if not the term "equality" in its definition. Equality (parity) in the laws has greatest application to price justice (justum pretium) followed by income justice. Although the Acts vary as to definitions of "parity," they have the common objectives of first, raising prices and/or incomes to some level that is considered a standard of equality (parity) with non-agriculture, and second, adjusting agricultural surpluses in order to realize the price and income goals. Surpluses in the Acts refer to market surpluses rather than physical surpluses, and as such may presumably result from an excess supply, a deficient demand, a fall in the general price level, or any other causes that are instrumental in keeping farm prices and consequently incomes below the designated "parity" standard. Implicit too in the Acts is the assumption that "inequality" (disparity) for agriculture can be remedied and "equality" (parity) can be attained and maintained through price and/or income remedies.

A review of historical farm and non-farm prices reveals that greater variability is generally characteristic of the indexes of agricultural prices as compared to non-agricultural prices during the 450 years following 1350. This resulted from the relatively inelastic demand for agricultural commodities and the marked variation in output resulting from good and bad seasons.

The four highest price periods for U. S. farm and non-farm products from 1798 to 1950 (1909-1914 = 100) occurred shortly after the War of 1812, the Civil War, and World Wars I and II. Farm prices did not rise relatively as much as non-farm prices following the first three major wars. In the most recent period, farm prices increased relatively more than non-farm prices. Farm prices as compared to non-farm prices for the past 150 years have had a more pronounced upward trend. Following the first three major inflationary peaks, farm prices fell earlier and farther than non-farm prices and as such were characterized by "disparity." In general, farm prices have fluctuated much more than non-farm prices, while production in agriculture has varied much less than in industry. In effect, agriculture has not only had "disparity" prices following the major inflationary peaks, but has been vulnerable to short-run "disparities" as well.

Regardless of fluctuating farm prices, simple price-raising measures are seriously limited as "disparity" income remedies. This handicap results from the limited resources available to a large segment of the farm population. Even if farm prices were increased to result in a doubling of incomes, one half of the non-relief farm families in the United States would still have received less than $2,000 in 1935-1936. Roughly one-fifth of all farm families would have received below $1,000 if their incomes had been doubled. On the other hand, many farm families are in the dilemma of having such inadequate resources at their disposal that they cannot attain the necessary funds for adequate economic units or shift human resources to other alternatives. The "disparity" between productive power and the social relations which determine their use was pointed out as early as 1819 by Simmondi and again more recently by Schultz.

Besides the agricultural "disparities" - price and income - the existence of innumerable disparity remedies to alleviate and correct the impacts of the "disparities" emphasizes the age-old nature of the problem of agricultural "disparity." Beginning in the ancient world and continuing through the 1950's, the record of agricultural "disparity" remedies indicates that the twentieth century witnessed basic but modified attempts which were fundamentally similar to the "disparity" remedies tried many times previously. As early as 1122 B.C. a specific "disparity" remedy or "equality" (parity) price goal was sought in ancient China through adjustments of demand and supply. The "equality" (parity) price standard was described as a "fair" price to producers and consumers. The "fair" price was set by the official Superintendent of grain. As a result of the Chinese experience it was concluded that the price equalization (parity) scheme was beneficial and practical. At the same time, however, it was indicated that the shortcomings of the price equalization scheme were not of the original law itself but rather of man. In administering the law, it was pointed out that officials had great difficulty in undertaking commercial functions along with political duties.

The record of the many proposed and attempted "disparity" remedies following the Chinese experience indicates for the most part a continuation of the fundamental efforts attempted in antiquity. In the United States, for example, the market surplus programs for Colonial American tobacco from 1619 to 1774 reveal that"disparity" remedies took root almost as early as settlement. Furthermore, the objectives and methods as compared to previous and later experiences show a striking degree of similarity. Among the specific procedures for tobacco used by the Colonists to correct or alleviate agricultural "disparity" were selling monopolies, legislative price-fixing, and restriction ("stinting") of production and exports. In addition, standardization and improvement of marketability were tried. The latter methods were more successful than direct control of price and restriction of output despite the use of "viewers" to check fields for compliance. The lack of degree of success of early American "disparity" remedies is further pointed out not only by the tobacco plant cutting riots but also by the historic armed uprisings of Bacon, the Regulators, Shay, and the Whiskey Rebellion.

The tariff came in for renewed consideration with the "Lubin proposition" of the 1890's for "farm justice and equity." This plan of David Lubin of California proposed an export bounty for achieving agricultural equality. Lubin contended that the producer of agricultural staples received free trade prices for what he sold but for items he bought he was forced to pay prices that were raised by a protective tariff. Although supported by the Grange and many others and introduced in Congress as a Bill, the plan was not enacted into law for several reasons, one of the more important of which was an improvement in economic conditions.

This same goal of "equality" under the tariff formed the basis of one of the more significant "disparity" remedies of the twentieth century, the Peek-Johnson plan. This plan is regarded as the model for the base-period (purchasing power) equality McNary-Haugen Bills of the 1920's and the Agricultural Adjustment Act of 1933. The Peek-Johnson plan adopted the "ratio idea" as the standard of equality primarily to counteract anticipated charges of price-fixing. Purchasing power inequalities of farm prices relative to non-farm prices represented a major factor in the rise and growth of farm organizations, beginning with the Grange in 1867. Although not published in arithmetical formula, the "ratio idea" as applied to hogs and corn was a mental tool of American farmers since 1870. In 1920, Henry A. Wallace published a discussion of producers' ratios and consumers' ratios; in 1921, G. F. Warren applied the "ratio idea" to a base-period for farm and non-farm product prices and provided one of the more direct forerunners of the Peek-Johnson plan.

Although the many attempts to get price equality from the ancient experiences to the present reveal that some fundamental and long-coutinued difficulties have characterized agriculture, it now appears that undue reliance has been placed on raising prices for remedying the ills of agriculture. Many of the "disparity" remedies have simply attempted to get increased prices. The base-period equality price plans beginning in 1933 have proved to be no exception. Besides the distortion of relative prices and the consequent interference with efficient resource use, the inability of price improvement measures to achieve satisfactory results has engendered further controls to accomplish what the original efforts failed to attain.

The lessons of historical experience suggest two alternative recommendations relative to farm price laws. The first recommendation is based on the assumption that governmental price-supports represent acceptable means to achieve in part at least the long-sought goal of "equality for agriculture." Under such an arrangement a moving-base standard of the most recent ten years appears preferable to an out-dated past base such as 1910-1914. A more recent base would give greater recognition to relative prices in the economy and lessen the necessity of modifying an unworkable base. Furthermore, such a flexible base-period standard would have the advantage of serving as a definite frame of reference and as such be less vulnerable to abuses of manipulation than would estimated "forward" price (governmental guaranteed for a production period) guides. Modifying the more desirable theoretical technique of forward prices with a moving-base standard to lessen vulnerability to abuses raises the second assumption, namely: that price-supports are unacceptable as a means of achieving "equality for agriculture." Under such an arrangement "free-market" prices are considered essential. Acceptance of this view, however, must recognize that agriculture occupies a unique place in the economy that makes it particularly sensitive to general business downswings. This unique position results from the farmer's limited ability to adjust output and costs to a declining market. Without price-supports some alternative plan for maintaining solvency for the farmer would be needed.

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APPENDICES

APPENDIX A

EXCERPTS FROM THE STATEMENT OF MR. THOMAS C. ATKESON, WASHINGTON REPRESENTATIVE, NATIONAL GRANGE[1]

Now this proposition submitted in the McNary-Haugen bill is not new to me nor to our organization. Away back in 1894, a gentleman who was then a member of the California State Grange, and whose proposition had been indorsed by that State Grange, was presented to the National Grange, and we knew it and dealt with it as the 'Lubin proposition,' which is almost identical in its purpose with the proposition presented in the Haugen bill. Mr. Lubin appeared before the National Grange for four years, 1894, 1895, 1896, and 1897, following the most disastrous period of collapse in agriculture in 1893, and he presented his proposition, which in its general purport is identical with the present proposition, as stated by Doctor Peek. By the way, Doctor Peek is the originator of the McNary-Haugen bill idea. I have been reading what Mr. Peek has had to say for the last four or five years in discussing the various phases of this proposition.

I do not want to take up the time of the committee, and perhaps it is not desirable to take up the space in the record, but I have an interesting document here, the published proceedings of the National Grange for 1894, 1895, and 1896. Preceding Mr. Lubin's proposition there were 18 whereases, which cover completely the argument made by Mr. Peek and the arguments that have been made by Doctor Brand and the Secretary of Agriculture and many others before this committee. That was set up in 1894, but the conclusion was different in just one respect. Mr. Lubin's proposition was to pay an export bounty on staple agricultural products.

At the following session of the National Grange, in 1897, conditions had become somewhat better in this country. Mr. Lubin went to Europe and got interested in the formation of the International Institute of Agriculture. . . . Mr. Lubin devoted the remainder of his life to the promotion of that matter. . . I knew Mr. Lubin very well.

The difference, without going into the detail of either proposition, between Mr. Lubin's proposition and this is that his was a direct payment of an export bounty out of the Treasury, with the provision that the revenue collected from imports should be held as a trust fund and that as much of it as might be necessary would be paid on a direct export bounty on staple agricultural

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[1] U. S. Congress, House, Hearings before the Committee on Agriculture, on H. R. 5563, McNary-Haugen Export Bill, Serial E, parts 1-15, 68 Congress, 1 sess. (Washington, 1924), pp. 346-348.

products that were to be exported from this country, in order to maintain the equilibrium between agricultural producers and the producers of manufactured products of various kinds. You would be interested in these 18 whereases to see how absolutely parallel they are with the proposition you are considering now. The McNary-Haugen bill, of course, undertakes to escape the bounty, but in effect, and so far as the American consumer is concerned, it sets up a more or less bunglesome machinery and in a measure puts the Government directly into business. I am not to be understood as opposing it. I am not going to make any objection, and I am not going to make any detailed defense of the bill.

The Grange, having wrestled with these various propositions in various forms for just 30 years, beginning with the first introduction of Mr. Lubin's proposition at its last session, appointed a special committee to try to formulate a bill dealing with marketing problems, to deal with the proposition permanently rather than as an emergency. That special committee of seven gentlemen, in connection with the executive committee of the National Grange, spent a week here in Washington about three weeks ago.

The master of the National Grange was in the city last week, and spent most of the week here with the special committee. When he was here the committee read practically all the bills; that is, the more important--Senator Capper said that there have been about 500 bills introduced in both Houses of Congress to solve the agricultural problem, but that a dozen or so had received some attention--at any rate, this committee read most of those more outstanding agricultural bills.

. . . .

the executive committee of the National Grange regards the McNary-Haugen bill as the least objectionable, the most defensible, and the most likely to secure results which in a large measure will bring agricultural prices up to something near an equal plane with the prices of other commodities of the country; it is more likely to raise the income of the farmer to a level with the income of labor, and I might include professional incomes.

APPENDIX B

FROM THE PUBLISHED PROCEEDINGS OF THE NATIONAL GRANGE, 1894, RECOMMENDING AN EXPORT BOUNTY TO EQUALIZE THE TARIFF FOR AGRICULTURE[1]

1. Our imports and interest on foreign loans must be paid in bullion or commodities, and as no nation can make such payments in bullion, therefore the payments in our country must be made in commodities.

2. A protective tariff on manufactures enhances their prices in the United States, and therefore renders their export impracticable, leaving only agricultural staples to constitute the great bulk of our exports.

3. The highest price obtainable for our export agricultural products is no higher than the lowest price at which they can be bought in the world. These products are therefore sold for export at the world's free-trade prices.

4. As the export and home prices for staple agricultural products are the same, it follows that these products are sold at home and abroad at the world's free-trade or Liverpool prices.

5. Nor is that all. The cost of transportation from the place of production to Liverpool is first deducted from the Liverpool price, and this, whether the product is exported or sold for consumption at home, even within sight of the place of production. We have, as a conclusion, that by reason of the protective tariff, manufactures are sold in our country at enhanced or artificial prices, while agricultural staples are sold for export and home use at the world's free-trade Liverpool prices, less cost of transportation from place of production to Liverpool.

6. As the importance of the staple agricultural industry exceeds that of manufacturers, and as it is the only great industry in our country that must sell its products at world's free-trade prices, and must, through the operation of the tariff, pay protection prices for necessities, and as this is the only great industry to do this, it therefore follows that staple agriculture pays the cost of protection to the manufactures.

7. Protection to manufacturers made a high wage rate possible. This wage rate brought skill, and skill developed inventive genius, and inventive

[1] Submitted by Thomas C. Atkeson, Washington Representative, National Grange to U. S. Congress, House, Hearings before the Committee on Agriculture, on H. R. 5563, McNary-Haugen Export Bill, Serial E, parts 1-15, 68 Congress, 1 sess. (Washington, 1924), pp. 349-350.

genius produced labor-saving agricultural machines. These machines in the hands of the American producer of agricultural staples amply repaid him for any costs for the protection of manufactures. With the powerful aid of labor-saving machines he could, until recently, produce his crops so profitably as to enable him to compete successfully with the cheapest labor in the world. In other words, the agricultural labor-saving devices gave the American producer as much protection as manufacturers enjoyed from the protective tariff.

8. It was destined, however, that the time should come when the American producer should lose his advantage. That time has come. It has been found profitable to place these labor-saving machines into the hands of the cheapest field labor in the world, and as a result the advantage enjoyed by the American producer is gone. The loss of the advantage has had a tendency to materially lessen the volume of the net returns to producers of staple agriculture, thereby removing the prop which has been the support of the protective system. Protection to manufacture must therefore be abandoned, or the source of the support of protection must itself be protected.

9. The ruling prices for agricultural staples, a portion of which we export having declined to about one-half the former rate, and as these prices promise to remain low permanently, therefore we will be no longer able to continue the profitable production of agricultural staples unless the prices of necessities be lowered to the world's lowest free-trade rate or the prices of agricultural staples be enhanced in our country the same as manufactures are enhanced--but not by a tariff alone, for a tariff can not enhance the home price of export which is sold at the world's lowest price. It can, however, be done by a Government bounty on agricultural products exported from the United States to foreign seaports. This, when done, will enhance the price, not alone of the exports, but in an equal degree the much greater quantity sold for home consumption.

10. Duties on imports levied for protection protect home manufacture and production by enhancement of prices, but they can not protect fully one-half of our industry, namely, the staples of agriculture, because they are exports and not imports.

11. The producers of the unprotected half, being consumers of protected home manufactures, and of duty paid imports, pay all cost of the protective system.

12. The true purpose of protection should be, not to levy on a portion of the American people only for the support of another portion, but to protect all American industries against the competition of foreign countries.

13. An industry producing a surplus for export can be protected by a Government bounty on exports of such surplus. It would enhance the price in our country of the quantity exported and also the greater quantity for home use.

14. To protect an industry producing a surplus for export, there must be a fund to pay the cost of a bounty on the export, and in consideration of that which has been stated above, equity demands that the funds collected as duty for the protection of the manufacturing half of our industry should be

applied to the payment of bounties on exports for the protection of the other half, namely, staple agriculture.

15. A just government has no right in equity to create revenues for the benefit of some to the injury of others. But the Government does produce revenues by the protective tariff, which benefit some and injure others, and uses such revenues to meet its expenses. In this the Government is unjust.

16. To correct this injustice the Government should either cease to collect protective duties, or should use the revenues derived from protecting one-half of our country's industries to place the unprotected half upon an equality with the former, and thus effect a just balance between the two, thereby removing the antagonism between them, now disturbing our political and economic system.

17. The protective duty levied on imports and expended on staple agricultural exports will therefore protect both manufactures and staple agriculture.

18. Now, since the Government must have revenue for support, all the people should be required to contribute by modes of just taxation to such support; any revenues derived from the protection of manufactures should be considered a trust fund, and may be used for the protection of unprotected staples of agriculture by aiding their export.

APPENDIX C

GENERAL STATEMENT OF PEEK-JOHNSON PLAN TO SECURE EQUALITY FOR AGRICULTURE UNDER THE TARIFF[1]

This is a plan to improve marketing of farm products, to insure a fair return from farm operations, to stabilize farm securities, to facilitate farm finance, and to secure equality for agriculture in the benefits of the protective tariff, by the following means:

Establish each year the fair exchange value on the domestic market of each principal crop, by computing a price which bears the same relation to the general price index as the average price of such crop for ten pre-war years bore to average general price index for the same period. Protect this fair exchange value from world price by a tariff fluctuating with it and with world price.

Organize under federal legislative Charter a private corporation to maintain this value by buying carry-over from any such crop from farmers or associations of farmers at such value. Such corporation may sell for export exportable surplus at the world price, even if less than domestic price, and to sell for domestic consumption, any of its carry-over at not less than the exchange value. The process will result in little, if any, material interference with existing mechanism for supplying domestic consumption.

Purchases and losses by reason of sales to export or of downward fluctuations in such fair exchange value to be financed, viz:

From worst experienced years of price, production, and surplus, determine an empirical formula, which when applied to any future year, will compute a percentage of price per-bushel or per-pound, large enough to absorb any probable loss. This differential to be computed and announced in ample time before planting season to enable farmers to plan croppage with reference to existing supply.

By authority of a federal statute, collect this percentage as a differential loan assessment on each pound or bushel when and as sold by the farmer. Issue scrip for such receipts, bearing interest on a retirable value to be fixed and announced when losses and expenses are determined.

Pass unabsorbed amounts in such fund to a Farm-Loan Fund for reloan to appropriate banks and associations of farmers, at moderate interest, and on

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[1] Equality for Agriculture, Copyright, 1922, H. W. Harrington, pp. 5-6.

farmers' notes, for one, two, or three years, given for purchase of reproductive facilities.

In the first year, after a sufficient fund has accumulated to take care of annual agricultural loan requirements, the installment of scrip issued in the first year's operations is retired, and so on for each succeeding year's installment.

Wheat, cotton, corn and oats are tentatively proposed for the operation of this plan.

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Thesis: THE EVOLUTION OF "AGRICULTURAL PARITY"

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